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DRUG STORE NEWS®

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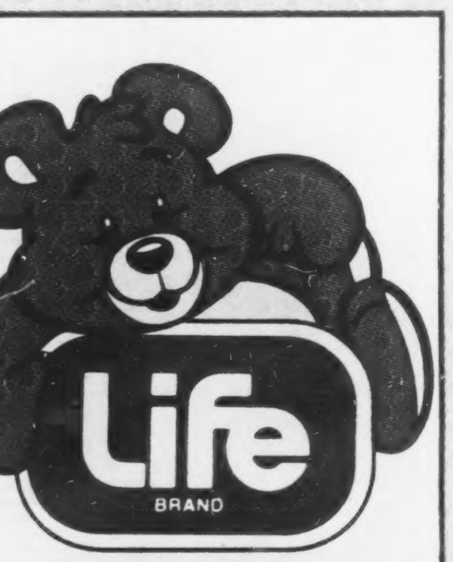
LATE NEWS

• SAN FRANCISCO — Steve Ferguson, who left his vp-marketing position at Douglas Drug in Providence, R.I., Sept. 10, has been named executive vp-operations and marketing at Drug Barn, a five-store deep-discount chain operating in the Bay Area. Ferguson was vp-marketing at K&B before going to Douglas.

• RICHMOND, Va. — Wholesaler Owens & Minor, Inc. posted record sales for the third quarter ended Sept. 30, up 18.7 percent to $310.0 million. Earnings climbed from $1.3 million to $2.5 million for the period.

FEATURES



Private label gains ground

Aggressive pursuit of house lines seen as a 'no-lose' situation. **Trends, page 35.**

Trade show coverage

Staff reports from Affiliated/Associated's fall show and the inaugural GM/HBC conference are found on **page 3.**

Drug Store News
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Revco creditors prevail in court

By James Frederick

AKRON, Ohio — U.S. Bankruptcy Court Judge Harold White refused to extend the deadline within which Revco D.S. has exclusive right to file a reorganization plan aimed at lifting the debt-laden company out of Chapter 11. The decision was a green light for Revco's creditors and other potential bidders to step up to the plate with their own plans to reorganize and effectively acquire the company.

The Oct. 23 ruling gave Revco and its board of directors only until the end of October—little more than a week at press time—to accomplish a task that has eluded the board for more than two years: to develop a consensual plan of reorganization that both creditors and equity holders could live with. In response to a motion by Revco's creditors seeking to void the company's right of exclusivity, Judge White also reversed an earlier ruling that gave the company until Jan. 31, 1991 to obtain approval of its own plan from all parties.

"The debtors and the board have squandered the time given to them [to work out a plan], and the motion to extend is denied," the judge said in his ruling. "You've got eight days now to negotiate, and you'd better use it."

Judge White also warned, "If the debtor [Revco] files a plan within that time, it better not be a legal tactic to delay, because the court has the means to make some of its own determinations."

Presumably, those "determinations" could include a "cramdown"—bankruptcy law parlance for a situation in which a court forces its own settlement on a bankruptcy case after negotiating parties have failed to reach a financial reorganization plan on their own.

The court's decision was a major victory for Revco's three classes of creditors, who announced their own unsolicited financial plan for a post-bankrupt Revco Oct. 3. The ruling clears the way for consideration of that rival plan and sets the stage for an open struggle for control of Revco.

The creditors' reorganization plan was hammered out in more than 13 months of sometimes heated negotiations between the committees representing bondholders, lending

See **Revco,** *page 45*

American Drug said to put Western Oscos on the block

OAK BROOK, Ill. — American Drug Stores is reported to be shopping out scores of Osco drug stores in six Western states as part of a bid by parent company American Stores to further cut debt and reduce operating expenses.

American is not commenting on the reports, but sources both inside and outside the company indicate that some Osco stores in a number of markets will be sold if the price is right. One company insider said the stores marked for sale are "in bits and pieces and scattered around."

According to various well-placed sources, American Drug may have as many as 106 Osco stores on the selling block, with Shearson Lehman Hutton's investment banking

See **American,** *page 45*

SupeRx Corp. bailing out of Arizona

By David Vaczek

PHOENIX — SupeRx Corp., operating under Chapter 11 protection, will auction its remaining 23 drug stores in Arizona because it has failed to secure funding for inventory, according to the chain's lawyer, and papers filed in bankruptcy court here.

"They didn't have the financing to pay for inventory," Judy Dworkin, SupeRx's lawyer, told *Drug Store News*. Dworkin said the decision was made last month in a meeting with creditors, including the unsecured creditors committee and Lincoln Savings & Loan, a secured creditor and the chain's chief lender.

"Everybody believes [the store's assets] should be sold before the height of the Christmas season, to provide a new owner with the boost of seasonal sales," Dworkin said.

With the auction of the Arizona stores, which at press time was set for Oct. 31 in U.S. Bankruptcy Court here, SupeRx management will be left with the Medicare-Glaser Corp. The St. Louis-based chain, acquired in 1988 by SupeRx, has filed a separate Chapter 11 petition and will continue in its attempt to arrive at a plan of debt reorganization under the court's control. Medicare-Glaser, which entered the bankruptcy with 94 stores, had 83 stores as of last month, according to a chain spokesman.

Continued on page 46

SUPER Rx
FOR SALE

SupeRx Corp. will auction its 23 Arizona drug stores.

Medco to stress lower-cost 'script writing

By Ken Rankin

***Drug Store News* Exclusive**

FAIR LAWN, N. J. — Medco, the nation's largest mail-order drug dispensary, is about to launch an innovative new counter-detailing program using pharmacists to urge prescribers to select lower-cost therapeutic alternatives.

If successful, the company's new "Prescriber's Choice" scheme could sharply reduce Medco's pharmaceutical product costs and make the mail-order distributor an even more formidable competitor for retail drug stores.

But on the downside, the program is open to criticism that Medco is promoting a potentially dangerous variation of therapeutic substitution.

Moreover, opponents of mail-order drug dispensing could well argue that Prescriber's Choice is designed to boost Medco's profits at the expense of patients.

Indeed, the therapeutic alternatives promoted by Medco's pharmacist-telemarketers are drugs made by manufacturers who contract for this counter-detailing service. As a result, it could be said that Medco is promoting the products of the highest bidder, rather than the cheapest or most appropriate therapeutic alternative.

Although Medco is not planning to unveil its new "Prescriber's Choice" program until the end of this year, company officials previewed the scheme for financial analysts earlier this fall. The response from the Wall Street gurus was uncharacteristically enthusiastic.

Citing company estimates that the new counter-detailing scheme "could add an additional 100 to 400 basis points to operating margins beyond fiscal 1992," Merrill Lynch bullishly predicted that Medco will enjoy "rapid earnings-per-share growth for the foreseeable future."

Analysts from Morgan Stanley, meanwhile, upgraded their earlier earnings projections for Medco and issued a "buy" recommendation for the company's stock, based in large part on the profit potential of Prescriber's Choice.

For their part, Medco officials are counting on the program to boost their already dominant market share in the booming mail-order Rx market. During their meeting with the financial community, company execs revealed that 22 mil-

See **Medco,** *page 45*

NEWS IN BRIEF

Dunaway seeking retail re-entry

ATLANTA — Chain drug veteran Bill Dunaway is working to put together financing for a new retail venture in suburban Gwinnett County, one of the nation's fastest-growing metropolitan areas and site of two former Dunaway drug stores. Dunaway sold the 16-store, family-owned chain to Jack Eckerd Corp. in May 1989.

Plans are to open a "fresh market" retail concept on a site of more than 80,000 square feet. The store would anchor itself with high-quality, fresh produce, high-quality meats and fresh seafood, dairy, beer and wine, a scratch bakery, ethnic H&BAs and dry groceries. The store will not feature a pharmacy or mainline H&BAs, Dunaway said.

"I have the management team and the location in place," Dunaway said. "This will be a destination-type store for an upscale market, with a lot of knowledgeable service on the floor and a lot of sampling, along the lines of a Stew Leonard. The idea is to open more than one."

Dunaway signed a three-year non-compete clause with Eckerd last year, barring him from drug retailing until 1992. Since then, he has taught college courses, run for mayor of Marietta, Ga., and overseen other business interests, including partial ownership of Atlanta's well-known Abbey Restaurant.

American taps Miller for Alpha Beta; management shifts at American Drug

SALT LAKE CITY — American Stores Co. has named Mike Miller chairman and ceo of its Alpha Beta division in southern California. Miller, a long-time company executive, last served as senior vp-government relations.

Named president of the LaHabra, Calif.-based supermarket chain is Roger Wilhelm, who has been acting president.

To settle an antitrust suit, American struck a deal with the California attorney general earlier this year to divest most of its Alpha Beta stores within the next five years, and merge the few remaining Alpha Beta units into its Lucky Stores division. Presumably, Miller will oversee that process.

At the American Drug Stores division in Oak Brook, Ill., several changes in regional and headquarters management were made following the departure of Larry LaRock from the company.

LaRock has resigned as vp in charge of the Southwest region Osco stores, and has been replaced by former Eastern region vp Richard Davis, who has been promoted to executive vp level.

Named new vp in charge of the Eastern region, based in Cambridge, Mass., is Larry Wahlstrom, who last served as vp in charge of advertising and marketing development. Replacing Wahlstrom in that post is Neil Stacey.

O&M to sell Harbor assets

RICHMOND, Va. — Owens & Minor plans to sell the primary operating assets of its wholly owned subsidiary, Harbor Medical Inc., which makes sterilized procedure trays, to Sterile Concepts as of year-end. Owens & Minor also announced it had reached a five-year distribution agreement with Sterile Concepts.

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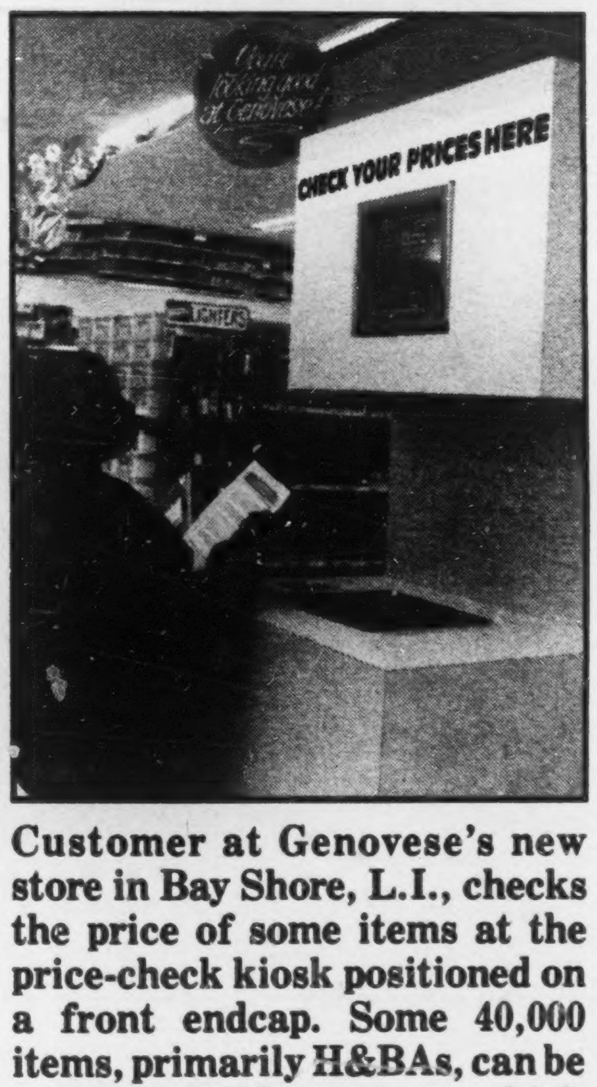
Genovese grows new ideas at L.I. 'greenhouse store'

By Susan Ball

MELVILLE, N. Y. — Genovese Drug calls the new store it recently opened in Bay Shore its "greenhouse store" because the chain is growing its ideas there. Among them:

- Genovese's first "senior manager" position, intended to give the store manager more autonomy in merchandising and other decisions affecting his store.
- a price-check kiosk where customers can scan bar-coded items that aren't price marked.
- an IBM POS system that eventually will integrate all the store's computer systems.
- a state-of-the-art one-hour photofinishing lab that incorporates features Genovese has been perfecting in its two other in-store photofinishing labs.

The new store, set in a renovated shopping center in the Long Island community of Bay Shore, also has some fresh decor features: mirrors used as energy-efficient reflector-niches for fluorescent ceiling lighting, as well as to accent upper walls and the tops of support columns; simple but snappy signage that quickly orients customers to the store's layout; and sleek permanent aisle modules for special displays.



Customer at Genovese's new store in Bay Shore, L.I., checks the price of some items at the price-check kiosk positioned on a front endcap. Some 40,000 items, primarily H&BAs, can be checked on the system, which Genovese is testing.

The first senior manager, Mike Dellaro, has been given more leeway, within corporate guidelines, in making buying and merchandising decisions and in the ways funds are allocated for things like fixtures and advertising. For example, he will be able to do some localized advertising.

Senior vp Allan Patrick said Genovese has been leaning toward giving managers more autonomy for some time. "Each store is unique, and we've always encouraged our store personnel to get involved in local communities." The senior manager position, he added, is aimed at "building an ownership feeling."

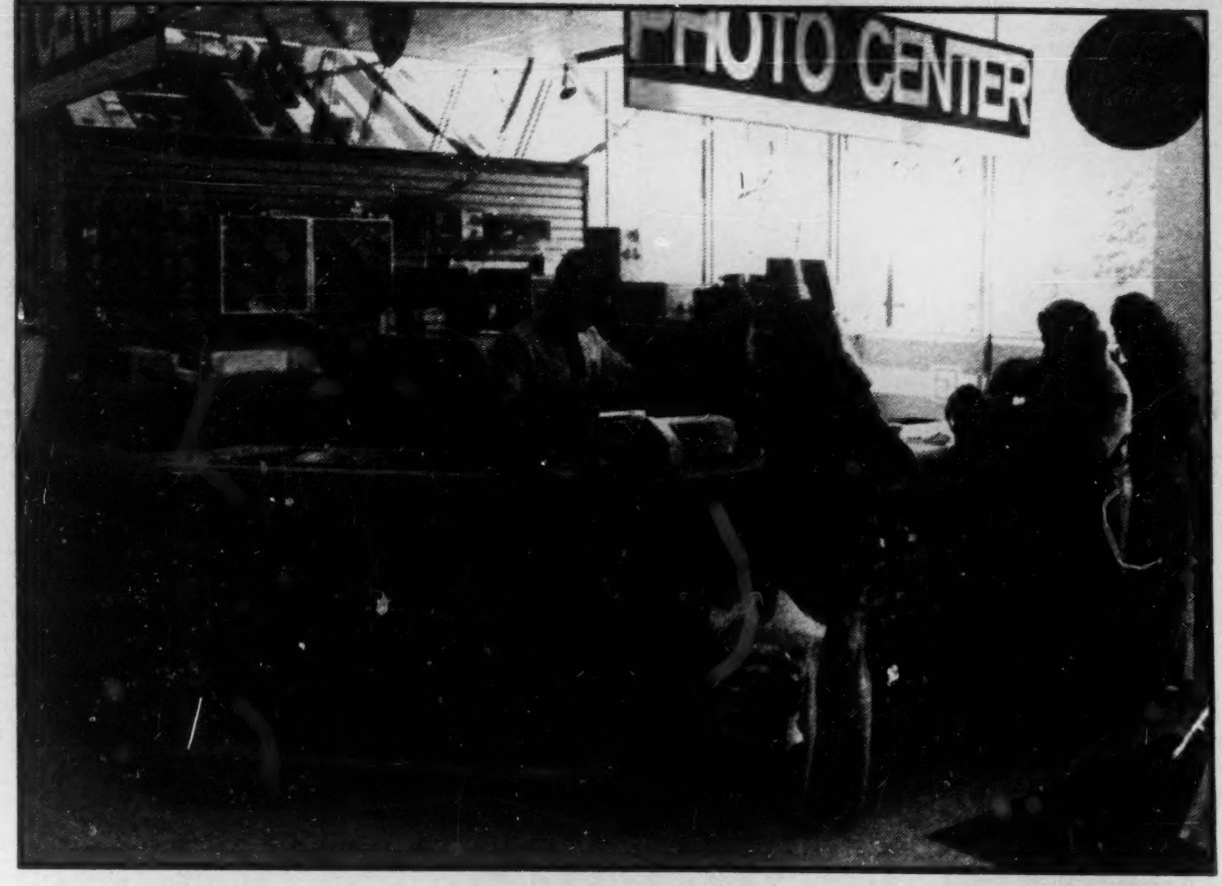
The price-check stand, which is on a center-front endcap, consists of a hidden PC tied into a controller hooked up with a Symbol scanner. There are 40,000-plus items in the master price file, mostly H&BAs that aren't price marked. The paybacks for Genovese are that the system maintains a highly accurate master file and will be a major labor saver, said vp-marketing Don Gross.

To activate the system, a customer simply pushes a starter button, passes an article over the scanner, and looks for the item and price to appear on the computer screen. The process can be repeated for several items, and although items aren't subtotalled, customers can get a rough idea of how much they've spent so far.

Genovese is testing an IBM POS system in this store, although eight other stores are on SASI (Store Automated Systems, Inc.). More than 90 percent of merchandise is being scanned in this Bay Shore store, Gross said. In addition to checkout, scanners are located in the cosmetics department, the photo center and pharmacy.

This store is equipped with Synercom's pharmacy computer system, which the chain is phasing into its stores as the second generation of pharmacy computers. Eventually, Gross said, the pharmacy and front-end systems will be integrated into a single system that can be polled daily.

Positioned in the right front corner, the photo center makes a dramatic impression as customers enter the store. Within two weeks of the store's opening, the photo lab was processing 400 rolls a week. A feature that has helped boost Genovese's photo business tremendously chainwide, Gross noted, is that customers' 4-inch-by-6-inch glossy prints are returned in a free, soft-plastic mini-photo album that holds 24 photos. In addition, Genovese's Photo Savers Club develops and prints a customer's 11th roll of film free.



Genovese's busy one-hour photo lab shouts photo in its up-front location at new Bay Shore store. The center carries one of the largest film selections in the New York market.

Correction

An undated press release on Harris Wholesale that had been filed was inadvertently picked up and published in the Oct. 22, 1990 issue of *Drug Store News*. We'd like to set the record straight and apologize for the error.

Jack Furio, who had been executive vp-key accounts at Harris, joined Martin Smith Associates in July as partner. Martin Smith Associates of Dublin, Ohio is a sales and merchandising specialist concentrating on H&BA lines. Lowell Smith is the other partner.

At Harris, a recent reorganization of division management has led to the following appointments: Lewis Mead, vp-Atlanta; Horace Kirkland, general manager-Atlanta; Bill LaGamba, general manager, western Pennsylvania; Wally Hink, vp and general manager, Florida; William Hinchcliffe, general manager, New England.

In a separate move, John Nixon has been promoted to corporate group vp reponsible for purchasing, sales and corporate planning.

Michael Visnich has been named vp-retail marketing. Reed Klein, director-marketing services, reports to him. Scott Tepper, manager-corporate merchandising, in turn reports to Klein.

Phil Kalwat is now director of operations for General Medical Corp., a sister company.

A revamping of Harris's Institutional Sales and Marketing department led to several appointments: Tom Ferkovic, director of institutional marketing; Craig McMillian, director of institutional sales; Paul Flach, regional institutional sales manager; Alex Tanazevich, institutional product manager.

Walgreen's fiscal 1990 sees sales top $6B mark

DEERFIELD, Ill. — Lending credence to the old maxim that nothing succeeds like success, Walgreen Co. racked up strong gains in sales, earnings and store count in fiscal 1990, smashing through the $6 billion sales mark and opening 104 new stores in the past year.

The nation's top drug chain produced a 12.4-percent gain in sales for the year ended Aug. 31, to $6.05 billion. Net earnings advanced 13.2 percent, to $174.6 million.

In the fourth quarter, sales advanced 11.3 percent to $1.49 billion, with net hitting $40.4 million, compared with $33.7 million the previous year. Walgreens' board of directors announced a 15-percent hike in the dividend, to 92 cents a year.

Walgreens' expansion pace continued at a rapid clip for the year, as well. The chain's 104 new drug stores and two RxPress retail pharmacies brought store count near the 1,600-unit level. The chain also remodeled 165 stores during the year, and will step up remodeling efforts this year.

In October, Walgreens also completed its takeover of Lee Drug, a nine-store chain operating in New Hampshire and Massachusetts. The Lee stores will be converted early next year, according to the company, strengthening the chain's relatively new market presence in New England.

"Since 1983, we've improved market share in each of our top 10 markets," noted

Continued on page 6

AADS's fall meeting shows plenty of life in the buying group

ATLANTA — Coming off an upbeat, largely successful fall meeting and buying show, Affiliated/Associated Chain Drug Stores (AADS) can cite Mark Twain's famous retort to its detractors: News of its demise has been exaggerated.

The mid-October show drew 133 vendors, up from 128 last year, more drug chain representatives and a record number of guests. Much of its success stemmed from furious, last-minute organizing and recruitment by a revamped AADS staff headed by new president Jim Devine, the fourth president in the past 20 months for the organization.

See further coverage next issue on show presentations and a consumer panel on shopper preferences.

The improved attendance was matched by the upbeat tenor of the show itself, and by Devine's tireless efforts to gauge the needs of members and suppliers during the three-day event. Devine set the tone himself in opening remarks Oct. 19, when he acknowledged the aging organization's past problems and called on members and associates for their help in revamping AADS from top to bottom.

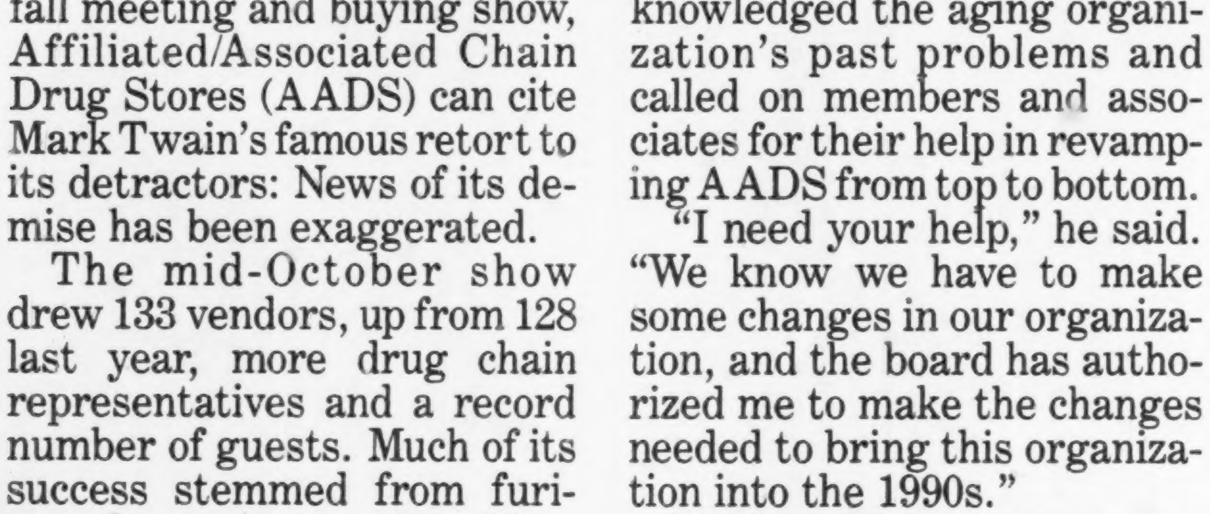
"I need your help," he said. "We know we have to make some changes in our organization, and the board has authorized me to make the changes needed to bring this organization into the 1990s."

Devine added that "the past is behind us," and reiterated that AADS remains "the only buying association of the chain drug industry."

New services

Currently, Devine said later, AADS is working on a new mission statement and a variety of new services for its small- and medium-sized chain members. Among those services are likely to be new advertising vehicles for members—"like a 'TV week' sort of thing for the stores free to members," Devine said—as well as videotaping of show presentations for use by drug

See **Affil./Assoc.**, *page 45*



Rich Landers of Drug Emporium (right) examines product at Warner-Lambert booth.

Kinney Drug at head of POS class with chainwide scanning rollout

By David Vaczek

GOUVERNEUR, N.Y. — Kinney Drug has joined a distinct chain drug minority, with its recently completed chainwide installation of an advanced POS scanning system in all 32 stores.

The upstate chain (with six stores in Vermont) made the leap from a hodgepodge of mechanical non-computerized cash registers to an IBM system after trying out various alternatives for five years, Steve Hayden, vp-MIS, told *Drug Store News*.

After a two-store pilot that began last fall, the rest of the stores were equipped with IBM 4683 registers and IBM drug chain POS software this summer, said Hayden.

The typical setup in stores averaging 7,500 square feet is one IBM PS/2 controller, five registers, and a combination of vertical and horizontal slot scanners. Each store also has a Telxon portable, for cycle inventory, and price audit via radio frequency.

F&M Distributors, the deep discounter, has been the only large retailer with a full chainwide scanning rollout. Many smaller chains, and some larger ones, have wrestled with cost justification of scanning systems.

Hayden said elimination of item stickers won't be among initial savings since chain executives feel that consumers want sticker pricing: "Our customers are not used to [UPC codes]. I think they expect price tags."

Kinney expects to pay for the $40,000-per-store system in about one-and-a-half years. A key area of savings, Hayden believes, will be in refined merchandising from the store's sales reports. Other cost savings will be in automating store's bookkeeping, greater pricing accuracy, faster implementation of price changes, faster customer checkout, and consistent training for associates.

Small
Operator
Focus

Kinney sent three people—two from MIS and one from operations—to a week-long IBM training session on how to use the system and how to "pre-sell" it to the store associates. Kinney developed training manuals and a video for associates that covered installation, operation and training.

With POS installed, Hayden is now focusing on integrating the front-of-store system with a new pharmacy system. Last year, Kinney put in a General Computer Corp. system with NEC Astra hardware.

Working with IBM, GCC and Telxon, MIS is now writing an interface between the two systems to allow creation and use of a single file of sales information, allowing access to pharmacy pricing from any register.

MIS is also writing a program for breaking up the day's-end sales information from the stores so it can be meaningfully used by buyers and operations.

The next major project will be creation of a perpetual inventory system that will employ IBM's in-store inventory management software to allow automatic updating of the inventory and creation of orders.

Kinney's MIS staff now numbers 10, as the chain prepares to open its 33rd store in Manlius, N.Y.

Type of store where product is most often bought

(Respondents who bought product in last three months)

	Base	Supermarket	Drug store or discount drug store*	Discount or mass merchandiser	Some other type
Oral care	1,739	42%	32%	23%	3%
Deodorants	1,681	40	31	24	5
Greeting cards	1,632	20	34	17	29
Shampoo	1,595	34	31	25	10
Non-prescription medication	1,408	28	48	21	3
Batteries/flashlights	1,322	31	19	42	8
Light bulbs	1,226	39	13	37	11
Photo film	1,220	21	29	41	9
Skin care products	1,205	20	44	22	24
Cosmetics	1,086	12	32	23	33
Women's hosiery	1,048	22	17	29	32
School/home office supplies	971	11	18	44	27
Vitamins	873	24	40	19	17
Video cassettes	660	11	11	60	18
Kitchen gadgets	613	30	6	49	15
Cook/bakeware	420	20	4	56	20

*In the original study, figures for drug stores and discount drug stores were broken out separately.

Source: FMI/GMA study

GM/HBC price issues counter convenience, food retailers told

By James Frederick

HOUSTON — More than 200 supermarket retailers came here last month with a mission: to become better merchants of health and beauty aids and general merchandise.

They left armed with a wealth of facts to support what they already suspected: that their strongest weapon in the battle for non-foods sales against drug and discount store retailers was their built-in strength as convenient, one-stop shopping outlets.

But they also came away with new research findings which confirm that consumers continue to shun food stores when it comes to many of their non-foods needs, in spite of the one-stop convenience factor. The reason: lingering perceptions among shoppers that supermarkets remain high-priced outlets for many GM and H&BA categories.

The occasion was the first

Continued on page 40

OPINION

Finally, real numbers on product intros

IN THE MARKET
BRUCE BUCKLEY

It costs a bundle to introduce a new product. It also costs plenty to get rid of a flop. No one argues against those propositions. But who should pay for the retailer's portion of the costs? The manufacturer? That's what many retailers believe. After all, their argument goes, manufacturers have exacerbated the problem. In clawing for shelf space, they've created a torrent of product introductions, most of them unnecessary line extensions that do virtually nothing to build real category growth. One study, for example, shows the number of upfront intros tripling in the past decade. I don't have to tell you how many items in this growing stream become lasting winners. Damn few.

Then there's the other side of the argument. Isn't the manufacturer already shouldering a disproportionate share of (at least) the introductory costs through research and development and consumer advertising? Shouldn't a retailer assume part of the burden as a cost of doing business? And, whoever said retailing should be risk-free, anyway? Failures and markdowns have always been part of the business. No pain, no gain.

Besides, the argument goes on, manufacturers can only give up so much margin. If a retailer wants a neatly wrapped guarantee, he'd better be prepared to give up other perks that have more potential for building the business—like some of his co-op allowances. There's no free lunch, is another way of putting it.

These arguments and counter-arguments have grown in intensity as supermarkets, and later (and to a much lesser extent) drug chains, have tried to exact up-front money from manufacturers seeking to introduce new products. The controversy over these so-called slotting allowances (and their grimmer cousins, failure fees) has generated lots of heat, of course, but not much light.

Now comes a study that, for the first time, puts some real numbers on the cost of introductions—from research and development at the manufacturing end to wholesalers' and retailers' actual, real-time costs of putting these products into distribution—and of taking them out if they fall flat. This new study is the product of more than a year of research under the aegis of six food and drug associations, including NACDS, the Food Marketing Institute and the Grocery Manufacturers Association. The consultants who carried out the study are from the highly respected accounting firm Deloitte & Touche.

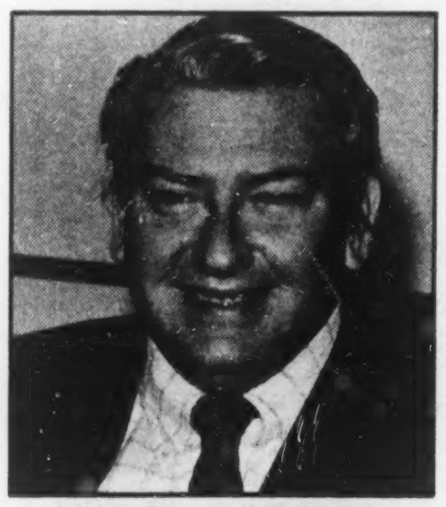
Their report covers a number of actual product introductions and deletions over a range of categories, and apportions and totals up the true costs incurred by manufacturers, wholesalers, retailers and, in the case of food product intros, food brokers. Although the costs are not meant to be projectable, the process through which they were attained can serve as a valuable template for drug retailers who want to do cost measurements based on their own actual experience. That will be the ongoing legacy of this pathfinding study.

Perhaps it will help move retailers away from the "protection money" game and into sharing with manufacturers the investment and risks of total marketing programs. That process has been practiced more successfully in the chain drug industry, where retailers and manufacturers have developed some cohesive relationships under the umbrella of NACDS, than among supermarkets, where conflicts have been fierce and long-lasting.

The downside may be that, because the study confirms the heavy costs of introductions and deletions, it will be used by some retailers to justify a stepped up demand for slotting allowances and failure fees. That would be a mistake, in my opinion.

(Copies of the study by the Joint Industry Task Force on Product Introductions and Deletions may be purchased at $10 each from NACDS, 413 N. Lee St., Alexandria, VA 22314.)

You can never have too much good will



WASHINGTON
PERSPECTIVE
KEN RANKIN

One of this industry's strengths has always been the brazen willingness of drug chains to steal ideas from each other.

One chain shows some success with in-store optical centers and half a dozen others start testing the same waters.

Somebody else merges a drug store with a supermarket, and suddenly we're up to our ears in combo stores.

Another chain offers prescription discounts to senior citizens and. . . well, you get the picture.

At the same time, I've always felt that a key weakness of the industry was the failure of both chains and independents to seize opportunities to project a positive image of drug store retailing.

Now, don't get me wrong. . . I'm not saying that the industry has a negative image. But I am saying that the nation's drug stores are the Good Guys, and it sure would be nice if everyone recognized that fact.

Here's a two-step plan to capitalize on one of the industry's main strengths in order to bolster the public's appreciation of drug store retailers.

Step One: Copy Jack Eckerd's new policy supporting U.S. military reservists stationed in the Middle East. *(See* Drug Store News, *Oct. 8, 1990, p. 1.)*

Back on the same day that President Bush activated the military reserves in response to the Iraqi invasion of Kuwait, Eckerd CEO Stew Turley announced that reservists employed by the chain who are called to active duty will not be subjected to economic hardship.

Under the new Jack Eckerd policy the company will make up the difference between any affected employee's military pay and his or her civilian salary while on active duty.

While it's not yet clear whether this new policy will earn Turley a place in Heaven, it has earned Jack Eckerd immeasurable good will here in Washington.

Indeed, in a speech to the U.S. Senate recently, Sen. Bob Graham (D-Fla.) called attention to the chain's pay program for employee reservists while outlining "the sacrifices of corporate America in support of American reservists" in the Persian Gulf.

"For many families, it means peace of mind for the brave reservists sent halfway around the world to augment our military mission," he said. "At home, it means mortgages and tuition will be paid" and "families can put food on the table when breadwinners are gone."

Significantly, however, Graham didn't hear of Eckerd's program from the chain. Rather, he learned of it by pure chance while working with other volunteers to clean up Tampa Bay earlier this fall.

One of those volunteers, a Marine Reserve officer named Moises Suarez who works for Eckerd, just happened to tell Graham "how much it meant for him that his company offered to maintain his salary if he was called up for duty."

Step Two: Don't imitate Jack Eckerd's modesty. When you take action that reflects positively on your company or on the drug store industry as a whole, let everyone know about it!

Remember, you'll never have too much good will—not even here in Washington.

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High-price image haunts supermarkets in non-foods

HOUSTON — Consumers still think of supermarkets as being higher-priced than their competition in many general merchandise and health and beauty aids categories, according to new research from the Food Marketing Institute and the Grocery Manufacturers of America.

The GM/HBC Consumer Shopping Preferences 1990 report points up wide disparities in where consumers choose to shop for their non-foods. The report, based on a survey of 2,000 consumer households by Market Facts, Inc., was released Oct. 16 at the GM/HBC Conference and Educational Exposition.

The study underscores what the food industry has long suspected: that the perception—if not the reality—of higher prices cuts into sales of many non-foods categories offered by food stores, despite the powerful advantage of convenient, one-stop shopping supermarkets have in their arsenal.

Supermarkets were named as the primary outlet for oral care products, deodorants and shampoo by consumers in the survey. But in many of the other 16 key categories surveyed—including video cassettes, kitchen gadgets, school supplies and hosiery—food retailers are still losing out to drug and discount stores. Perceived higher prices were the culprit.

"By a wide margin, the major deterrent to supermarket purchase of non-food items is price—a loud and clear hindrance regardless of market area or shopper subgroup," the report concludes. "To encourage more purchase of such items in grocery stores, shoppers want lower everyday prices."

By the same token, the report notes, "the major reason by far for purchasing non-food items in a supermarket is convenience," and "the major draw for discount or mass merchandisers and discount drug stores is everyday low prices."

The study also found a strong unmet demand for such in-store services as pharmacies, postal stations and packing/shipping centers in food stores.

The survey prompted a strong reaction from a panel of 11 supermarket and supplier executives convened to discuss its findings. Several of the participants acknowledged the pricing problem, and said the supermarket industry could no longer rest on its advantages as a natural customer traffic center. They also agreed the industry faces big hurdles in overcoming the high-price image in non-foods, and several hinted at the possibility of a major shift in pricing policies—despite the current reliance of many food chains on their GM and H&BA sales to provide well over half the store's profits.

"We have to build a better price perception," said Jeff Manning, non-foods manager of Bashas' Food Markets in Phoenix. "In the short term, it's nice to sit back and collect your gross margins with the convenience approach to non-foods, but it's not the way to compete long-term."

Tim Snee of Ralphs Grocery Co. acknowledged, "It's the price perception that keeps [customers] from shopping from us [for non-foods]. We need to face this issue head-on; we can't keep wrapping ourselves in the 'convenience' flag."

"In the convenience aspect of the non-foods business, we win the game, but in the price aspect, we have a problem," Brian Joyce of Dominick's Finer Foods added in a question-answer session.

The failure of food stores to fully capitalize on their presence in non-foods—despite the fact that they already have those consumers in their stores to buy groceries—indicates that the supermarket industry is a long way from putting drug stores out of action. Panel members at the presentation urged supermarket non-foods managers to attack the problem by taking a hard look at their pricing and advertising policies; by getting more cooperation from top management; by building closer alliances with suppliers; and by taking more creative approaches to non-foods merchandising.

"It all boils down to customers getting value for their money," noted Bill Harris of Randall's Food and Drug. "Service, selection and quality are what we have going for us against the low-price angle of our competitors."

Which of these have you bought in the past three months?

(By sex and female work status)

				Women	
	Total	Men	Women	Working	Non-working
Base	2,000	400	1,600	952	646
Oral care products	87%	81%	88%	90%	85%
Deodorants	84	78	86	89	80
Greeting cards	82	67	85	85	85
Shampoo	80	74	81	85	76
Non-prescription medication	70	59	73	74	72
Batteries/ flashlights	66	62	67	66	68
Light bulbs	61	59	62	62	61
Photo film	61	54	63	67	57
Skin care products	60	41	65	68	61
Cosmetics	54	16	64	68	58
Women's hosiery	52	15	62	69	51
School/home office supplies	49	44	50	56	40
Vitamins	44	34	46	45	48
Video cassettes	33	35	33	36	28
Kitchen gadgets	31	35	33	36	28
Cook/bakeware	21	19	22	22	21

Source: FMI/GMA study

Which of these have you bought in the past three months?

(Asked of 2,000 shoppers)

		Age				
	Total	18–24	25–39	40–49	50–64	65-plus
Base	2,000	48	744	392	425	380
Oral care products	87%	94%	89%	91%	88%	76%
Deodorants	84	94	92	87	81	68
Greeting cards	82	71	82	84	81	80
Shampoo	80	94	91	83	76	58
Non-prescription medication	70	75	74	76	68	59
Batteries/flashlights	66	54	67	69	66	64
Light bulbs	61	48	60	67	64	57
Photo film	61	75	70	66	60	38
Skin care products	60	60	65	66	56	50
Cosmetics	54	48	56	61	56	43
Women's hosiery	52	40	54	62	51	42
School/home office supplies	49	50	53	58	47	31
Vitamins	44	31	45	44	44	42
Video cassettes	33	35	40	39	32	13
Kitchen gadgets	31	33	32	36	31	21
Cook/bakeware	21	25	23	22	20	17

Source: FMI/GMA study

Supermarket retailers seek non-foods savvy at 1st GM/HBC Conference

Continued from page 3

annual GM/HBC (health and beauty care) Conference sponsored by the Food Marketing Institute and the Grocery Manufacturers of America. The three-day event in mid-October drew a total of nearly 1,500 retailers, wholesalers, suppliers and brokers, and included both educational seminars and trade-floor dealmaking between buyers and vendors.

"I'm excited about this convention," FMI president Robert Aders told the gathering on opening day. "It marks a new direction in education at FMI, applying the magic of a convention to two of the most powerful categories in modern supermarketing."

Indeed, the creation of a separate event among food retailers to support non-foods merchandising and marketing signals the growing importance of GM and H&BA categories to the supermarket industry—and the growing determination among food chains to challenge drug stores on their own turf.

In that sense, the show was a pivotal event in the ongoing competition among trade classes and the blurring of lines between food, drug and discount stores. The conference marked the willingness of many food retailers to shift their strategies in the battle for GM and H&BA sales—even regarding long-held pricing policies. It underscored the growing status of non-foods managers. And it formally signaled the arrival of non-foods as an integral component of supermarket retailing; indeed, food and non-foods are rapidly approaching parity at some leading food chains.

'In the beginning. . .'

"In the beginning, the first grocers and supermarket operators were very much in the non-food business," Aders said. "The movement into GM/HBC products today is less a new direction than an effort to rediscover markets that were lost or never fully developed."

Echoing that theme was a conference participant from Schwegmann's in New Orleans. "Our goal is to allocate 40 percent of our space to non-foods," he said.

He was not alone. Conference speakers and participants from all sides of the food industry expressed a determination to capitalize on the inherent strengths of supermarkets to boost their $21 billion in non-foods sales. Said outgoing FMI chairman Dean Werries of Fleming Companies, "The competition is formidable—but we, too, bring to the marketplace numerous strengths: consumer awareness, technology, convenience, selection, one-stop shopping, and seeing our customers at least once a week."

Werries and other speakers urged non-foods managers to push for the opening of more pharmacies at their respective chains. "The single most effective step many grocers can take is to extend the health-care category and—where the demographics and competition are right—open a pharmacy," said the FMI chairman. "A pharmacy adds a new source of high-margin income, and it improves the sales of the entire HBC category—by as much as 40 percent in some cases."

Pharmacies urged

In a separate address, industry consultant Murray Raphel noted that only about 4,000 out of a possible 30,000 supermarkets have pharmacies. He urged non-foods managers to spur their companies to add more pharmacies and other key non-foods categories to build a complete business, including video departments, greeting cards, photo and books and magazines.

"The secret is not to be the best supermarket, but to have the best selection in targeted areas," Raphel said.

Speaker and consultant Harold Lloyd told his audience to put more spark in their GM and H&BA sales with a multi-pronged strategy. Calling non-foods "a very, very important part of [the store's] profitability," Lloyd urged non-foods managers to "merchandise the merchandise. . . and give your GM/HBC people a chance to be creative."

Retailers and industry experts at the conference made no bones about the obvious lures offered by GM and H&BA categories: high margins, incremental revenues, and the ability to turn supermarkets into one-stop power centers.

The challenge to nonfood execs: winning more space and commitment for GM and H&BA from their bosses; overcoming high-price perceptions among consumers in the face of growing competition from deep-discounters like Phar-Mor; battling "category killers" like Wal-Mart and Toys "R" Us; coping with a flood of new-product introductions—nearly 12,000 last year alone; coping with the increasing fragmentation of the consumer base; and watching overall net margins in supermarkets shrink to a low of 0.71 percent in 1988–89.

Meanwhile, said Werries, the food industry is entering "a time of transition" and slowing growth. Store size is also growing at a slower space, he said.

"Maybe in the '90s," Werries said, "we will enter the one-stop shopping business."

SupeRx selling off Ariz. stores

Continued from page 1

Unlike SupeRx Corp., Medicare-Glaser has secured "post-petition" financing to pay for inventory needs. In fact, several lending sources have been secured, a spokesman at the Midwest chain confirmed.

The court under a cash collateral order has allowed both chains to use proceeds from sales to fund inventory and thus prevent secured creditors from claiming the revenues. But those proceeds aren't sufficient to meet Christmas' heavy inventory needs, Dworkin said.

Most of the Arizona drug stores are in and around Phoenix, while five are in Tuscon and two in Flagstaff. A 24th store, a liquor store in Scottsdale, will also be auctioned, as will all assets, including prescription files and third-party contracts, according to papers filed in court.

But some market sources said if the assets are sold piecemeal, the stores could lose at least one major third-party contract, with FHP, jointly shared with Walgreens. It accounts for about 50 percent of SupeRx's scripts, one source maintained.

Reportedly an inside middle management group is interested in making an offer. New owners will face a much tougher metro climate than SupeRx first encountered when management bought the Arizona stores from Kroger in 1986. Smith's, Albertson's, Phar-Mor and Drug Emporium have all entered the market since then.

SupeRx Corp. had closed seven of its 36 stores in June. Subsequently, four more were closed and one was sold, leaving it with 24.

SupeRx Corp., which sold stores in Alabama and Georgia last year, was forced into Chapter 11, after the collapse of Lincoln Savings & Loan.

Safeway's 3rd qtr. net income is up

OAKLAND, Calif. — Safeway's investment in the Vons supermarket chain helped third-quarter net income climb from last year's $7.1 million to $20.8 million for the period ended Sept. 8, the company reported, even though sales were essentially flat.

Sales for the quarter increased 4.6 percent to $3.5 billion. For the 36-week period, income climbed from $23.5 million to $59.4 million, on $10.2 billion in sales, a 4.4-percent increase. Same-store sales increased 3.9 percent for the quarter and 3.4 percent for the 36-week period, and gains were also noted for gross profit, operating profit, and operating cash flow.

The 35-percent equity investment in Vons was a prime factor for other income increasing from $1.1 million for the quarter to $12.0 million.

Interest expense for the quarter increased from $88.4 million to $91.2 million, and declined for the 36 weeks from $267.8 million to $261.4 million for the 36 weeks. The company attributed the 36-week performance to lower borrowings in the wake of its initial public offering of 11.5 million shares of common stock last April.

Nichols reports $21.5M net loss

NEW YORK — S.E. Nichols reported a net loss of $21.5 million for the three months ended August 4, on sales of $11.5 million.

The loss includes a $15.5 million provision for reorganization costs connected with the company's filing for Chapter 11 protection this past August. This quarter's figure compares with last year's net gain of $1.8 million, which included a $4.3 million gain from the discontinuance and sale of the company's F.R. Schreiber wholesale division.

The quarter's sales figure solely reflects activity from the company's new Pharmhouse deep discount super drug stores, a format which bowed last April. As such, the company noted, the figure is not comparable with last year's $51.4 million that the company's 34 discount department stores, no longer in operation, tallied.

S.E. Nichols' strategy has been to liquidate and close its discount department store base, and reopen the units as Pharmhouses. Currently, 19 Pharmhouse units operate in the mid-Atlantic region.

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MARKET DIARY:

Largest Dollar Gainer	Warner-Lambert	$ 6.38
Largest Dollar Loser	McKesson Corp.	$- 3.63
Largest Percentage Gainer	Par Pharmaceutical	42.86%
Largest Percentage Loser	Zenith Labs	-23.53%

Advances	32
Declines	21
Unchanged	4
New highs	2
New lows	20

	Close 10/9/90	Close 10/23/90	Net Change	Percent Change
Drug Store News Index	2807.05	2842.10	35.05	1.25
Dow Jones Industrial Average	2445.54	2494.06	48.52	1.98
Standard & Poor's 500-Stock Index	305.10	312.36	7.26	2.38
N.Y.S.E. Composite	167.41	170.50	3.09	1.85
Value Line Index	187.53	186.24	- 1.29	-0.69

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 10/9/90	Closing Price 10/23/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.50	5.13	-1.38	-21.15	-256	0.00	0.00	7.56	2.88
OTC	Arbor Drugs (L)	ARBR	16.25	14.75	-1.50	-9.23	13	0.16	1.08	23.25	13.25
OTC	Big B (L)	BIGB	6.25	5.38	-0.88	-14.00	-15	0.16	2.98	13.75	5.38
OTC	Drug Emporium	DEMP	8.00	8.13	0.13	1.56	13	0.12	1.48	11.00	6.25
NYS	Fay's Inc. (L)	FAY	7.75	7.25	-0.50	-6.45	10	0.20	2.76	12.00	7.25
ASE	Genovese Drug (L)	GDX.A	5.88	6.00	0.13	2.13	13	0.24	4.00	11.25	5.63
NYS	Longs Drug Stores	LDG	37.13	37.00	-0.13	-0.34	12	1.04	2.81	48.50	33.25
OTC	Medicine Shoppe (L)	MSII	17.75	18.50	0.75	4.23	17	0.24	1.30	26.75	17.00
NYS	Perry Drug	PDS	6.63	6.25	-0.38	-5.66	11	0.00	0.00	9.88	6.25
NYS	Rite Aid Corp.	RAD	31.00	31.88	0.88	2.82	15	0.88	2.76	39.00	29.50
NYS	Walgreen Co.	WAG	45.63	47.25	1.63	3.56	17	0.92	1.95	53.25	39.88
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	23.75	25.63	1.88	7.89	14	0.40	1.56	29.63	20.50
OTC	Bindley Western Ind.	BIND	11.63	11.75	0.13	1.08	17	0.04	0.34	14.25	9.38
OTC	Cardinal Distribution (H)	CDIC	21.25	24.25	3.00	14.12	21	0.08	0.33	24.25	15.88
OTC	Durr-Fillauer	DUFM	24.13	23.00	-1.13	-4.66	14	0.28	1.22	27.00	19.50
ASE	Ketchum	KCH	1.50	1.50	0.00	0.00	-1	0.00	0.00	5.13	1.50
NYS	McKesson Corp. (L)	MCK	32.13	28.50	-3.63	-11.28	13	1.60	5.61	38.38	28.50
ASE	Moore Medical (L)	MMD	4.25	3.63	-0.63	-14.71	-5	0.00	0.00	10.25	3.50
NYS	Owens & Minor	OMI	11.50	13.25	1.75	15.22	18	0.24	1.81	14.63	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	40.63	43.63	3.00	7.38	20	0.84	1.93	45.63	31.25
NYS	American Home Products	AHP	45.25	48.88	3.63	8.01	13	2.12	4.34	55.13	43.00
NYS	Baxter International	BAX	24.88	26.38	1.50	6.03	-91	0.64	2.43	27.50	20.50
OTC	Block Drugs Co. (L)	BLOCA	32.00	31.50	-0.50	-1.56	12	0.68	2.16	38.00	30.50
ASE	Bolar Pharmaceutical	BLR	4.63	4.25	-0.38	-8.11	-25	0.04	0.94	20.88	3.50
NYS	Bristol-Myers Squibb	BMY	59.13	62.63	3.50	5.92	34	2.12	3.39	65.88	50.50
NYS	Carter-Wallace	CAR	48.50	49.50	1.00	2.06	15	0.92	1.86	60.50	44.88
ASE	Columbia Labs (L)	COB	5.13	4.75	-0.38	-7.32	-4	0.00	0.00	17.88	3.63
ASE	Forest Labs	FRX	42.63	43.88	1.25	2.93	28	0.00	0.00	48.38	33.63
ASE	Halsey Drug	HDG	3.31	2.81	-0.50	-15.09	94	0.00	0.00	6.94	2.13
NYS	ICN Pharmaceutical	ICN	2.88	2.88	0.00	0.00	0	0.00	0.00	6.50	2.50
ASE	Lee Pharmaceutical (L)	LPH	1.38	1.38	0.00	0.00	-5	0.00	0.00	3.00	1.25
ASE	P. Leiner Nutrition (L)	PLI	7.13	7.13	0.00	0.00	9	0.00	0.00	13.38	7.00
NYS	Lilly Eli Co.	LLY	74.50	75.00	0.50	0.67	20	1.64	2.19	90.38	58.75
NYS	Marion Labs	MKC	31.75	31.38	-0.38	-1.18	22	0.80	2.55	36.00	21.00
NYS	Merck Co.	MRK	77.13	81.38	4.25	5.51	19	2.24	2.75	91.13	67.00
NYS	Mylan Labs	MYL	18.25	18.88	0.63	3.42	23	0.20	1.06	25.38	13.75
NYS	Par Pharmaceutical (L)	PRX	3.50	5.00	1.50	42.86	-5	0.00	0.00	8.25	3.38
NYS	Pfizer Inc. (H)	PFE	73.88	77.38	3.50	4.74	18	2.40	3.10	79.25	54.50
NYS	Rhone-Poulenc Rorer	RPR	61.13	65.00	3.88	6.34	31	0.84	1.29	78.25	39.75
NYS	Schering Plough	SGP	45.63	48.38	2.75	6.03	20	1.12	2.32	50.75	36.75
NYS	Syntex Corp.	SYN	53.25	57.25	4.00	7.51	19	1.60	2.79	63.75	43.25
OTC	Taro-Vit Industries	TAROF	2.50	2.88	0.38	15.00	-41	0.00	0.00	2.88	0.88
NYS	Upjohn Co.	UPJ	37.63	36.88	-0.75	-1.99	19	1.00	2.71	44.63	33.00
NYS	Warner-Lambert	WLA	59.88	66.25	6.38	10.65	19	1.52	2.29	70.13	49.63
OTC	Zenith Labs	ZENL	8.50	6.50	-2.00	-23.53	0	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's	ABS	29.88	31.50	1.63	5.44	20	0.48	1.52	37.63	24.38
NYS	American Stores (L)	ASC	46.63	46.00	-0.63	-1.34	11	1.12	2.43	71.50	46.00
NYS	Giant Food	GFS.A	22.75	24.50	1.75	7.69	13	0.60	2.45	29.88	21.13
NYS	Great Atlantic&Pacific Tea (L)	GAP	44.38	42.75	-1.63	-3.66	11	0.80	1.87	65.38	41.38
NYS	K mart (L)	KM	25.38	25.25	-0.13	-0.49	15	1.72	6.81	37.25	23.38
NYS	Kroger (L)	KR	12.00	12.38	0.38	3.13	48	0.00	0.00	17.00	10.63
NYS	Melville Corp. (L)	MES	34.75	36.38	1.63	4.68	10	1.40	3.85	57.75	32.75
OTC	Fred Meyer (L)	MEYR	12.25	11.00	-1.25	-10.20	-52	0.00	0.00	19.00	10.25
NYS	Penney, JC (L)	JCP	39.13	42.88	3.75	9.58	7	2.64	6.16	75.63	37.38
NYS	Safeway (L)	SWY	12.13	11.50	-0.63	-5.15	29	0.00	0.00	16.88	11.50
NYS	Smith's Food & Drug	SFD	25.50	27.38	1.88	7.35	22	0.28	1.02	34.50	21.38
NYS	Wal-Mart	WMT	25.50	28.75	3.25	12.75	27	0.12	0.42	36.75	20.00

Note: Rorer Group changed its name to Rhone-Poulenc Rorer.
Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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DRUG STORE NEWS®

SECOND CLASS

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NEWS IN BRIEF

Drug Emporium buys St. Louis franchise rights

ST LOUIS — Drug Emporium has repurchased the franchise rights for the St. Louis area from Alpha Drugs, Inc., which since the mid-1980s has operated four stores in the city and suburbs.

It advances a strategy of buying certain franchises and follows franchise buyouts in Minneapolis, Indianoplis, Augusta, Ga., and Charleston and Columbia, S.C.

Indicating that under corporate ownership the St. Louis stores will continue to do business as before, ceo Gary Wilber pointed out that corporate-owned stores will receive the company's major emphasis as the key to growth in today's competitive environment. "Nearly all" of the stores planned for opening in the early 1990s will be company-owned, Wilber said.

Wal-Mart buys Wholesale Club

BENTONVILLE, Ark. — Wal-Mart has signed a definitive agreement to buy The Wholesale Club chain for an estimated $163.8 million in cash and Wal-Mart common stock. The pact reaffirms Wal-Mart's commitment to this format, which it has stressed by operating 141 Sam's Wholesale Clubs.

The 27 Wholesale Clubs in six Midwestern states will probably be converted to the Sam's name, since Wal-Mart has said the clubs will not be operated as a separate division, Thomas Geisse, senior vp-marketing at The Wholesale Club, told *Drug Store News*.

FoxMeyer sells computer subsidiary

ARLINGTON, Texas -- FoxMeyer Corp. has sold its Fox Computers subsidiary to Reynadyne Corp., an investor group headed by Daniel G. Williams. Fox Computers has relocated here, and changed its name to Reynadyne Data Systems, Inc.

Nichols financing in effect

NEW YORK — S.E. Nichols, operating as debtor-in-possession, said all technical requirements have been fulfilled relating to its DIP-secured financing facility for up to $10 million with Sterling National Bank & Trust Co. of New York. The financing is in effect, the company stated. S.E. Nichols operates 19 deep-discount super drug stores under the name Pharmhouse.

Child IDs mark Happy Harry's openings

NEWARK, Del. — Happy Harry's offered its award-winning Child ID Program as part of the grand-opening festivities in November of two new stores, in Pike Creek Valley and Hockessin, respectively.

As part of the Child ID Program, which won a 1989 Gold Link award from NACDS and *Family Circle* magazine for community service, each child is weighed, measured, fingerprinted and photographed. A laminated identification card containing this information is then given to parents to carry, so they can provide authorities with vital information quickly, should their child ever disappear.

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A.L. Price's new prototype caps chain's repositioning

By James Frederick

MADISON HEIGHTS, Mich. — Six months after a change of ownership and management, A.L. Price has unveiled a new prototype store, a new ad campaign and a revamped approach to marketing and merchandising.

The 14-store deep-discount chain soft-opened in early November in this densely populated suburb north of Detroit, luring consumers with steep discounts and a densely merchandised, 24,000-square-foot arena. Designed by new A. L.

See **A.L. Price,** *page 37*

A.L. Price builds shopper confidence in its everyday low prices with cut-case displays and consistent brand value.

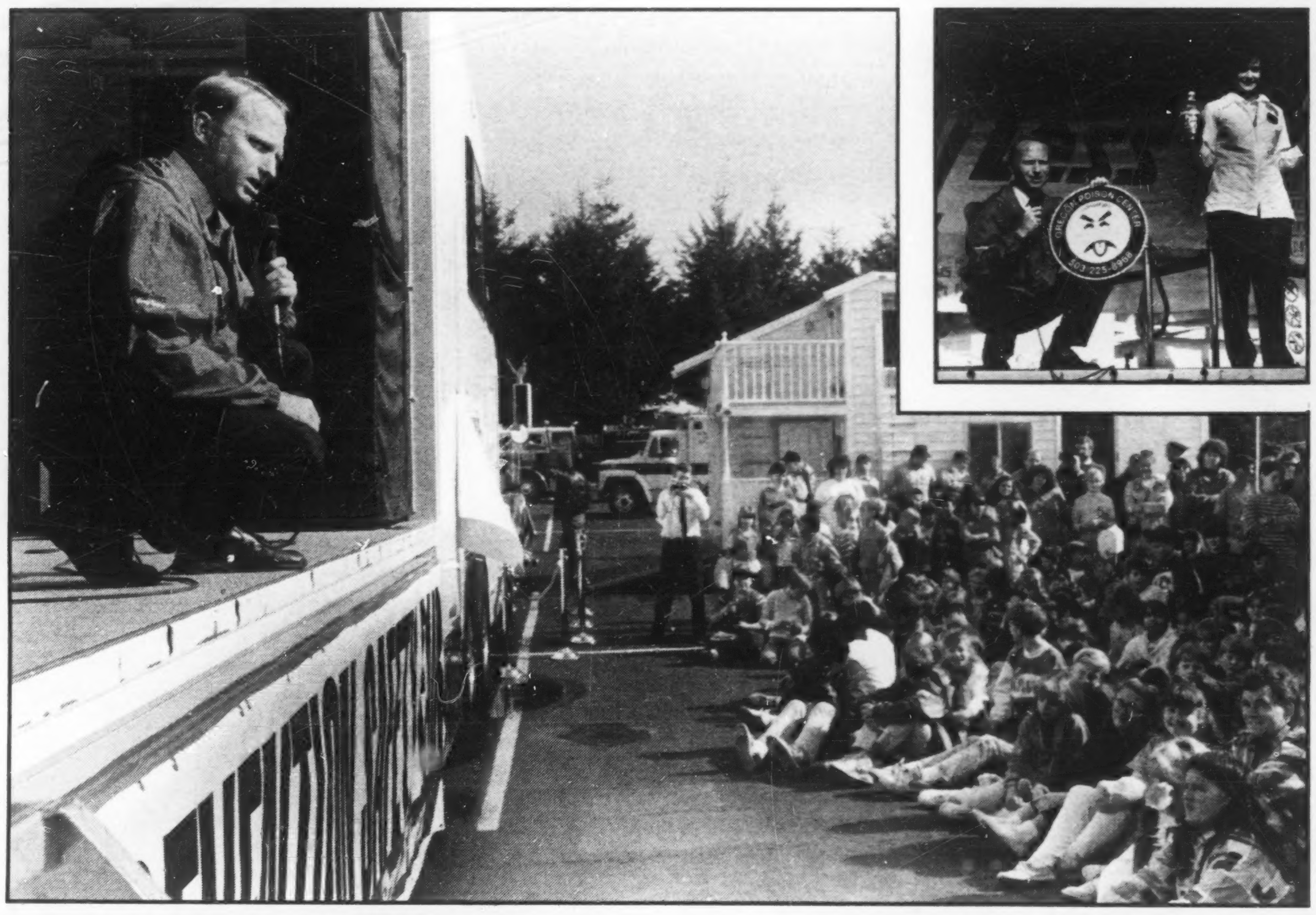
American Drug overhaul over

OAK BROOK, Ill. — After a year of turmoil in the executive offices, American Drug Stores has essentially completed a sweeping overhaul of its top management team. The overhaul includes the creation of new positions and the recent promotions and reassignments of several executives.

Following the appointment last March of Dave Maher to replace Dick Scott as chairman and chief executive, the biggest single management change has been the creation of new top management posts for both the Osco and Sav-on divisions. Two veteran regional vice presidents have been elevated to the executive vp level and put in charge of the two store divisions, reporting directly to Maher.

Named executive vp and chief operations officer of Osco is Steve Mannschreck, who last served as vp-operations of the key Chicagoland region. His counterpart as executive vp and chief operations officer at Sav-on on the West Coast is Richard Davis, formerly vp in charge of the Eastern region. Their appointments mark the

See **American,** *page 37*



Pay Less holds crime prevention, safety fair

Jerry Moss of Pay Less speaks to some of the 1,300 Oregon schoolchildren who attended the drug chain's Crime Prevention & Safety Fair at Pay Less headquarters. Among highlights was a simulated rescue from an auto wreck, using the Jaws of Life, and appearances by officers of a county SWAT team, river patrol, traffic unit and dive team. *Inset:* Pay Less's Moss holds "Mr. Yuk" sign while he and colleague Peggy Privratsky demonstrate home poison prevention measures. Held before Halloween, the fair also provided safety information for the holiday.

New Mexico stores proved too remote: Thrifty

LOS ANGELES — Thrifty Corp. decided to vacate New Mexico because it was too costly to continue trucking from distribution centers in California, vp Chris Bement told *Drug Store News*. The drug chain closed 11 stores, but offered management and pharmacy employees other jobs in California, he said.

He attributed Thrifty's closing of five stores in Tucson, Ariz., to an economic slump in that market. Thrifty also closed seven stores around Phoenix due to duplication of market areas, Bement said. Yet, the chain feels the Arizona market is still profitable enough to support its other 23 stores in the state, so no other closings are planned, he said. In addition, the company has opened 27 stores in California over the course of the current fiscal year, which ends December 1.

Company success always on the line

IN THE MARKET
BRUCE BUCKLEY

Fall is a good time for me: I like the colors, the smell of wood smoke and, perhaps most of all, football. But football gets boring sometimes. Then, even the spectacular pass or the slashing run seem to blend with all the others witnessed over the years. When that mood settles in, I should turn off the set and go out for a walk. But I don't, couch potato that I am in the fall. I watch the line play.

Try it sometime. It's not easy. The ball draws the eye like a magnet. But hold your focus on the line, and you'll see where the game outcome is really decided. Strength, speed and agility are important, but gut determination and pride are what count in the end.

If there's a parallel for retailing here it's that winning depends not so much on the top execs—the quarterbacks, etc.—as on the unsung people in the stores, headquarters and distribution centers. Competing effectively depends on the accumulation of all the dozens of little things they do every day, most of which go unnoticed by their bosses.

Then why do they do it? Well, a cynic would say money and job security. But that's bull. Mostly it's pride and involvement—that special feeling of making a difference, even in a small way, in a successful enterprise.

The parallel between line play on the football field and line play in the retail drug industry is particularly apt for this current issue, which reveals the winners of the 1990 *Drug Store News* REX Awards. It is six years since we presented our first awards for retail excellence in the crowded ballroom of the Omni Park Central Hotel in New York.

From the winner of that first REX chain award—Walgreens—to the 1990 chain honorees, Phar-Mor and Kerr Drug, the not-so-secret success ingredient has been the largely invisible people on the line.

So, in this column, rather than laud Banks and Johnny Kerr or Mickey Monus for their companies' well-deserved awards. . . I'd like to toast their players in the trenches. And if it doesn't sound too much like a beer commercial, here's to them.

* * *

Once again I invite you to use the services of *Drug Store News JOBFAX*. This free, confidential employment exchange is designed to bring together executives looking for positions with potential employers in the industry. So if you're out in the cold because of consolidation or retrenchment and are trying to line up new opportunities, drop us a line.

We need a 30- to 35-word ad highlighting your experience, strengths and needs. We'll supply the blind box number and send out your ad along with others in our next edition of *Drug Store News JOBFAX*.

Write: *Drug Store News JOBFAX*, Confidential Box 100, 425 Park Ave., New York, N. Y. 10022, or give me a call at (212) 371-9400, x 267.

On the home front, Genovese cares

THE HUMAN SIDE
AL HELLER

George Bush spent this election season draped in the patriotic aura of soldiers overseas as he campaigned for his party's candidates.

Leonard Genovese, chairman of 94-store Genovese Drug, spent the same time conceiving a program that would supply our military in Saudi Arabia with essential health aids: sun screen, lip balm, vitamins, insect repellent, mouthwash and other items suggested by American Red Cross.

"The more we heard on the news [about the troop buildup], the more concerned we got," advertising manager Jeanine Higgins told me. "We knew we needed to do something."

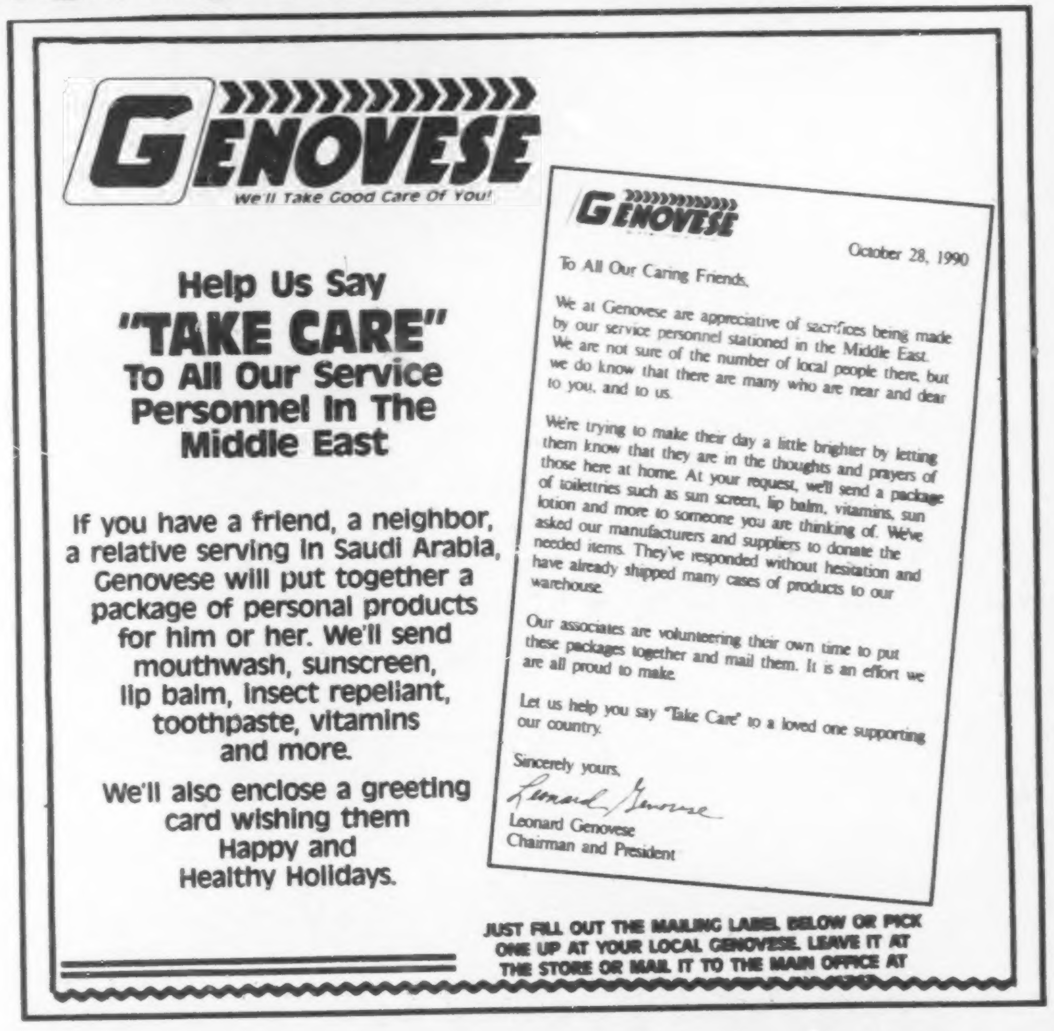
Genovese sought ideas at a regular weekly staff meeting in October, reached a consensus and appointed Higgins, who is also liaison with the Marine Corps' Toys For Tots program, to head the effort.

The chain enlisted 20 manufacturers to donate product that it will send to nearly 2,000 service personnel by Thanksgiving. "Most sent new merchandise, others said to credit inventory. Some items are full size, others are trial size. Each service person will get a variety package of about 10 items," Higgins said.

Genovese ran full-page ads in late-October issues of *Newsday* and *The New York Times*, plus local radio commercials, urging consumers to drop off completed mailing labels (which were part of the ads) at collection boxes in the stores, or to mail them to the corporate office.

"More than 500 names were referred within a week of the ads' appearance, some with letters that would bring tears to your eyes," said Higgins. "If we get more than 2,000, we'll go back to the manufacturers for more." Donors include: Bristol-Myers, Chesebrough-Pond's, Church & Dwight, Dennison, Dentax, General Foods, Gibson Greeting Cards, Gillette, Gould, Helene Curtis, Kimberly-Clark, Lever Bros., Neutrogena, Performance Labs, Pfizer Oral Care, Planter's, S. C. Johnson, 3M, T/I Pharmaceuticals and Richardson-Vicks, USA.

The packing will be staged at corporate offices. Although store-level workers and customers have volunteered to help, about 35 to 40 headquarters staffers will pack.


GENOVESE
We'll Take Good Care Of You!

Help Us Say
"TAKE CARE"
To All Our Service
Personnel In The
Middle East

If you have a friend, a neighbor, a relative serving in Saudi Arabia, Genovese will put together a package of personal products for him or her. We'll send mouthwash, sunscreen, lip balm, insect repellant, toothpaste, vitamins and more.

We'll also enclose a greeting card wishing them Happy and Healthy Holidays.

GENOVESE

October 28, 1990

To All Our Caring Friends,

We at Genovese are appreciative of sacrifices being made by our service personnel stationed in the Middle East. We are not sure of the number of local people there, but we do know that there are many who are near and dear to you, and to us.

We're trying to make their day a little brighter by letting them know that they are in the thoughts and prayers of those here at home. At your request, we'll send a package of toilettries such as sun screen, lip balm, vitamins, sun lotion and more to someone you are thinking of. We've asked our manufacturers and suppliers to donate the needed items. They've responded without hesitation and have already shipped many cases of products to our warehouse.

Our associates are volunteering their own time to put these packages together and mail them. It is an effort we are all proud to make.

Let us help you say "Take Care" to a loved one supporting our country.

Sincerely yours,
Leonard Genovese
Leonard Genovese
Chairman and President

JUST FILL OUT THE MAILING LABEL BELOW OR PICK ONE UP AT YOUR LOCAL GENOVESE. LEAVE IT AT THE STORE OR MAIL IT TO THE MAIN OFFICE AT

Genovese sought out Persian Gulf soldiers via this ad.

Responding to a query about how this effort could further the chain's goodwill and build store visits, Higgins said: "That was certainly not the purpose. This was designed *not* to be a self-serving mission. If nothing else happens but these boxes go out and some people in Saudia Arabia smile, that's fine."

* * *

The six-store Drug Emporium franchise, owned by American Drug Center, Hampton Roads, Va., has coordinated a similar program. Drug Emporium has shipped over $14,000 worth of donated merchandise to U.S. military in the Persian Gulf.

Donors were: Murine, Vaseline Sun Care, Sunglass Products, Western Publishing, Dr. Scholl's, American Greetings, and Howell's Motor Freight, which donated the ground transportation to the embarkation point in Pennsylvania.

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TRENDS

Chain drug stationery story:

Neon a hot spot; basics bright

Several drug chains that mainly stuck to the basics reported good, if not spectacular, results this back-to-school season, with neon, as buyers had bet, providing an especially bright spot.

Heavily promoted commodity items were tremendous for K&B, said buyer Chris Michel. And while the chain held to a limited fashion selection, neons were hot throughout.

"We were generally pleased with back-to-school," Michel said, adding that "where we strayed from the basics much, sales were slower."

Although schools in K&B's markets generally open about Aug. 20, the chain started BTS advertising in July, rather than August, this year. The strategy worked in pulling customers in to pick up commodity school supplies before other school-related spending, for clothes, tuition and the like, depleted their disposable income, he maintained.

In contrast, Rite Aid's BTS season gathered steam later than usual this year, said buyer Mark Blandford, but sales ended up 12 percent-15 percent higher than last season.

It was a good year for licenses at the chain, with New Kids on the Block and Teenage Mutant Ninja Turtles the standouts, and The Simpsons also strong. Thanks partly to the strong licenses, Rite Aid had its best year ever with lunchboxes.

Lisa Frank fashion portfolios continued to produce strong sales, and Pentech fabric-covered stick pens were popular with kids into the friendship-bracelet look.

Changed planogram

Rite Aid redid its stationery department planogram this year, expanding mainly in the home office supplies area, but also adding more college/narrow-rule items, another SKU of scientific calculators, and more microperforated-edge notebooks, in response to student needs. Some older, patterned fashion goods and book covers were culled. In addition, Trapper Keeper and other specialty notebooks were thinned, Blandford explained, because "we didn't think we needed as broad an offering and couldn't make much money on them. We found a trend of having a residue of that in the past."

Rite Aid doesn't promote BTS as heavily as some chains, instead building up and concentrating on basic BTS merchandise, where the bulk of its sales are, augmented by some fashion and promotional goods. But the chain stepped up in-store signs and programs and sharpened pricing of in-and-out merchandise, which reduced carryovers and spurred incremental sales.

Genovese was "really satisfied" with its BTS season, said buyer Cynthia Stahley-Zuniga. Anything neon was hot, especially Mead's neon marbled composition books.

Drug Emporium's BTS sales increased in the double digits, reported director of merchandising Bill Brock, who said the chain bought more and sold more. "We had good cleanup sales."

The chain did more fashion and color business, for plus and profitable sales, while filler paper and some other commodities were down.

Reliable Drugs, itself a relatively new kid on the block, did a major revamp of its stationery-home office department. Its aim was achieving a consistent merchandising look, rather than the rainbow, price/item approach inherited from Peoples, from which Reliable acquired its first 100-plus stores last year.

Reliable went from dealing with some 58 vendors in the department to about 12, said Tony Montini, senior vp-purchasing and merchandising, with Stuart Hall and Empire providing most of the paper goods and writing instruments/pegged items, respectively. The consolidation not only creates continuity and packaging consistency, but improves Reliable's ability to meet vendor minimums, Montini said.

A young customer in New Orleans chooses a Sesame Street book from K&B's endcap display of children's art and activity supplies.

Children's art, activities products deliver a payoff when grouped

Some drug chains are eyeing the demographic "bump" in children age 4–7, and the numbers of U.S. women who work and have preschool offspring, and are beginning to create children's art and activities niches in their stores.

Not that drug stores haven't offered drawing pads, crayons and coloring books for years. But a mother might have to roam two or three aisles to ferret them out, seldom finding them in a unified presentation.

Stuart Hall's Sesame Street line, which has been on the market for years and is in such chains as Thrifty, Brooks, Pay Less, Reliable and CVS, has gone over to all photography in its packaging designs and has included more recreational and learning activities, as well as adding stiff backing to writing and drawing pads. The Sesame Street characters are so familiar to parents and kids, said James R. Schmidt II, Stuart Hall vp-marketing, that the company does not do any consumer advertising: "It seems to sell itself." He added that the scribble pad is the line's No. 1 item.

In June, Mead rolled out a 15-item children's "creative fun and learning" line called Safari Party, which includes an activity kit, expandable carryall and construction paper assortments as well as various writing and drawing pads. Mead has backed the line with a national cable television advertising campaign and cross-couponing program and plans to roll out 20 new items in January 1991.

Several chains, such as K&B, Genovese, Drug Emporium, Peoples and Phar-Mor, took in Safari Party, with mixed response so far. Some chains, including Peoples, said it was too

Continued on page 33

Ad space allocations: Percentage of all stationery ads by class of trade

(July and Aug. 1989 vs. 1990)

	Drug			Food			Mass merchandiser		
	1989	1990	% chg	1989	1990	% chg	1989	1990	% chg
July	2.5%	3.1%	+24%	1.0%	2.1%	+110%	7.2%	2.7%	−63%
August	16.8	13.8	−18	15.7	9.8	− 38	16.3	11.5	−29

Source: Ad Activity Marketing Services Inc.

August 1990: Percentage of stationery ad space in drug stores, by category

Pens/pencils	**23.1%**
Notebooks	**15.1**
Binders/organizers	**8.9**
Highlighters/markers	**7.0**
Portfolios	**4.8**

Source: Ad Activity Marketing Services Inc.

August 1990: Percentage of stationery ad space in drug stores

(Top 5 manufacturers)

1. Mead	**15.0%**
2. Stuart Hall	**7.2**
3. BIC	**5.9**
4. Crayola	**5.3**
5. Paper Mate	**4.8**

Source: Ad Activity Marketing Services Inc.

Perry cuts staff, braces for loss

Continued from page 3

Perry about $5 million in fiscal 1991, according to the company.

Along the same lines, Perry has also announced plans to sell the wholesale medical and surgical supply component of its Health Care Division. The supply house has annual revenues of about $7 million, but was described by Perry as unprofitable.

Perry has also elected to change its accounting method for inventories, eliminating averaging and estimation of inventory value in favor of an item-cost method of valuation. The change will help Perry determine margins on sales more accurately, according to Falbaum, but will result in a one-time non-operating charge for the fiscal year ended Oct. 31.

Perry's plans to cut costs were revealed as it projected an operating loss for the fourth quarter, surprising many retail analysts who have tracked the chain's turnaround and upward earnings trends over the past two years. Perry blamed a softened economy and below-plan sales for the projected loss.

"Sales for the fourth quarter. . . were negatively impacted by the deterioration of the economy and uncertainty over the Persian Gulf crisis which has reduced consumer spending," the company announced. "However, Perry expects to report an operating profit for the 1990 fiscal year."

Said Linda Baker, a retail analyst with Prudential-Bache, "We knew sales had been somewhat soft in September and had picked up at the end of October with Halloween and seasonal, but the magnitude of the earnings impact was a surprise. However, they've initiated a very stringent cost-containment program, and I think they're doing the right things longer-term."

Perry chairman and ceo Jack Robinson called Perry's cost-cutting actions "prudent and responsible.

"They, along with continued improvement in the prescription business, the additional sales generated by new stores opened or acquired during the past year, and Perry's divestitures of unproductive business units, provide a strong foundation for significantly improved operating results in fiscal 1991," Robinson said.

Net down, per-share earnings up at McK

SAN FRANCISCO — McKesson announced net income declined 6 percent for the second quarter ended Sept. 30, to $24.9 million, from $26.4 million in the year-earlier period.

However, with fewer shares outstanding, fully diluted earnings per share rose 2 percent, to 55 cents. Fully diluted shares in the quarter fell to 44.4 million from 47.4 million, reflecting the repurchase of about 3.1 million shares during the last 12 months. Net interest expense in the quarter rose to $12.3 million from $9.3 million as a result of the cost of share repurchase.

Second-quarter revenues were up 9 percent, to $2.03 billion, from $1.86 billion.

Quarterly results continued to be affected by a decline in the profitability of McKesson's Armor All Products subsidiary, offset by a "strong recovery" in the PCS prescription claims processing business, said Alan Seelenfreund, chairman and ceo.

Imasco reports drop in third-qtr. earnings

MONTRÉAL — Imasco reported a 5-percent decrease in net earnings for the nine months and a 25-percent drop in net earnings for the third quarter ended Sept. 30.

For the nine months, net earnings were $236.1 million (Canadian), down from $247.9 million in the 1989 period. For the third quarter, net earnings were $77.5 million, compared with $103.5 million for the same period a year ago.

Net earnings include a contribution from Peoples Drug Stores, classified as discontinued operations. Earnings from continuing operations were $232.4 million for the nine months, a 6 percent decrease from last year's $246.7 million, and $77.3 million for the third quarter, down from $103.4 million.

Purdy Crawford, Imasco chairman, president and ceo, said of the results, "Hardee's Food Systems and Canada Trust are feeling effects of the weak economy, while Imperial Tobacco and Shoppers Drug Mart have continued to register strong earnings gains."

Crawford said Imperial's and Shoppers' "excellent results" should be sustained.

MARKET DIARY:

Largest Dollar Gainer	Durr-Fillauer	$ 2.50	Advances	[illegible]
Largest Dollar Loser	Lilly Eli Co.	$- 6.13	Declines	34
Largest Percentage Gainer	Big B	34.88%	Unchanged	2
Largest Percentage Loser	Bolar Pharmaceutical	-32.35%	New highs	1
			New lows	9

	Close 10/23/90	Close 11/6/90	Net Change	Percent Change
Drug Store News Index	2842.10	2812.99	-29.11	-1.02
Dow Jones Industrial Average	2494.06	2485.15	- 8.91	-0.36
Standard & Poor's 500-Stock Index	312.36	311.62	- 0.74	-0.24
N.Y.S.E. Composite	170.50	170.21	- 0.29	-0.17
Value Line Index	186.24	184.15	- 2.09	-1.12

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 10/23/90	Closing Price 11/6/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.13	5.00	-0.13	- 2.44	-250	0.00	0.00	7.56	2.88
OTC	Arbor Drugs	ARBR	14.75	15.50	0.75	5.08	13	0.16	1.03	23.25	13.25
OTC	Big B (L)	BIGB	5.38	7.25	1.88	34.88	- 20	0.16	2.21	13.75	4.75
OTC	Drug Emporium	DEMP	8.13	7.63	-0.50	- 6.15	12	0.12	1.57	11.00	6.25
NYS	Fay's Inc.	FAY	7.25	7.38	0.13	1.72	11	0.20	2.71	12.00	7.25
ASE	Genovese Drug	GDX.A	6.00	6.00	0.00	0.00	13	0.24	4.00	10.88	5.63
NYS	Longs Drug Stores	LDG	37.00	36.00	-1.00	- 2.70	12	1.04	2.89	48.50	33.25
OTC	Medicine Shoppe	MSII	18.50	17.50	-1.00	- 5.41	17	0.24	1.37	26.75	17.00
NYS	Perry Drug (L)	PDS	6.25	6.38	0.13	2.00	11	0.00	0.00	9.88	6.13
NYS	Rite Aid Corp.	RAD	31.88	33.63	1.75	5.49	16	0.88	2.62	39.00	29.50
NYS	Walgreen Co.	WAG	47.25	48.63	1.38	2.91	17	0.92	1.89	53.25	39.88
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	25.63	24.75	-0.88	- 3.41	14	0.40	1.62	29.63	20.50
OTC	Bindley Western Ind. (L)	BIND	11.75	10.50	-1.25	-10.64	15	0.04	0.38	14.25	8.63
OTC	Cardinal Distribution (H)	CDIC	24.25	24.00	-0.25	- 1.03	21	0.08	0.33	25.00	15.88
OTC	Durr-Fillauer	DUFM	23.00	25.50	2.50	10.87	16	0.28	1.10	27.00	19.50
ASE	Ketchum	KCH	1.50	1.75	0.25	16.67	- 1	0.00	0.00	5.13	1.50
NYS	McKesson Corp. (L)	MCK	28.50	28.13	-0.38	- 1.32	13	1.60	5.69	38.38	26.88
ASE	Moore Medical	MMD	3.63	4.00	0.38	10.34	- 5	0.00	0.00	10.25	3.50
NYS	Owens & Minor	OMI	13.25	12.50	-0.75	- 5.66	17	0.24	1.92	14.63	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	43.63	40.63	-3.00	- 6.88	19	0.84	2.07	45.63	31.25
NYS	American Home Products	AHP	48.88	49.00	0.13	0.26	13	2.12	4.33	55.13	43.00
NYS	Baxter International	BAX	26.38	26.25	-0.13	- 0.47	- 91	0.64	2.44	27.50	20.50
OTC	Block Drugs Co.	BLOCA	31.50	33.75	2.25	7.14	12	0.80	2.37	38.00	30.50
ASE	Bolar Pharmaceutical (L)	BLR	4.25	2.88	-1.38	-32.35	- 17	0.04	1.39	20.88	2.88
NYS	Bristol-Myers Squibb	BMY	62.63	60.75	-1.88	- 2.99	33	2.12	3.49	65.88	50.50
NYS	Carter-Wallace	CAR	49.50	47.00	-2.50	- 5.05	14	0.92	1.96	60.50	44.88
ASE	Columbia Labs	COB	4.75	5.75	1.00	21.05	- 4	0.00	0.00	17.88	3.63
ASE	Forest Labs	FRX	43.88	45.00	1.13	2.56	27	0.00	0.00	48.38	33.63
ASE	Halsey Drug	HDG	2.81	2.50	-0.31	-11.13	83	0.00	0.00	6.94	2.13
NYS	ICN Pharmaceutical	ICN	2.88	2.63	-0.25	- 8.70	0	0.00	0.00	5.75	2.50
ASE	Lee Pharmaceutical	LPH	1.38	1.25	-0.13	- 9.09	- 4	0.00	0.00	3.00	1.25
ASE	P. Leiner Nutrition (L)	PLI	7.13	7.38	0.25	3.51	9	0.00	0.00	13.00	6.75
NYS	Eli Lilly Co.	LLY	75.00	68.88	-6.13	- 8.17	18	1.64	2.38	90.38	58.75
NYS	Marion Labs	MKC	31.38	32.00	0.63	1.99	22	0.80	2.50	36.00	21.00
NYS	Merck Co.	MRK	81.38	79.25	-2.13	- 2.61	18	2.24	2.83	91.13	67.00
NYS	Mylan Labs	MYL	18.88	16.75	-2.13	-11.26	18	0.20	1.19	25.38	13.75
NYS	Par Pharmaceutical	PRX	5.00	4.13	-0.88	-17.50	- 4	0.00	0.00	8.25	3.38
NYS	Pfizer Inc.	PFE	77.38	75.25	-2.13	- 2.75	17	2.40	3.19	79.25	54.50
NYS	Rhone-Poulenc Rorer	RPR	65.00	65.88	0.88	1.35	- 50	0.84	1.28	78.25	42.25
NYS	Schering Plough	SGP	48.38	45.13	-3.25	- 6.72	19	1.12	2.48	50.75	37.00
NYS	Syntex Corp.	SYN	57.25	55.63	-1.63	- 2.84	18	1.60	2.88	63.75	45.25
OTC	Taro-Vit Industries	TAROF	2.88	2.50	-0.38	- 13.04	- 36	0.00	0.00	2.88	0.88
NYS	Upjohn Co.	UPJ	36.88	36.25	-0.63	- 1.69	19	1.00	2.76	44.63	33.00
NYS	Warner-Lambert	WLA	66.25	64.00	-2.25	- 3.40	18	1.52	2.38	70.13	49.63
OTC	Zenith Labs	ZENL	6.50	6.50	0.00	0.00	0	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's	ABS	31.50	32.88	1.38	4.37	21	0.48	1.46	37.63	24.38
NYS	American Stores (L)	ASC	46.00	44.88	-1.13	- 2.45	11	1.12	2.50	71.50	42.63
NYS	Giant Food	GFS.A	24.50	23.88	-0.63	- 2.55	13	0.60	2.51	29.88	21.13
NYS	Great Atlantic&Pacific Tea	GAP	42.75	43.00	0.25	0.58	11	0.80	1.86	65.38	41.38
NYS	K mart	KM	25.25	26.38	1.13	4.46	16	1.72	6.52	37.25	23.38
NYS	Kroger	KR	12.38	12.25	-0.13	- 1.01	47	0.00	0.00	17.00	10.63
NYS	Melville Corp.	MES	36.38	36.88	0.50	1.37	10	1.40	3.80	57.75	32.75
OTC	Fred Meyer (L)	MEYR	11.00	11.50	0.50	4.55	- 55	0.00	0.00	19.00	10.00
NYS	Penney, JC	JCP	42.88	42.13	-0.75	- 1.75	7	2.64	6.27	75.63	37.38
NYS	Safeway (L)	SWY	11.50	11.25	-0.25	- 2.17	28	0.00	0.00	16.88	10.25
NYS	Smith's Food & Drug	SFD	27.38	26.63	-0.75	- 2.74	21	0.28	1.05	34.50	21.50
NYS	Wal-Mart	WMT	28.75	27.75	-1.00	- 3.48	26	0.12	0.43	36.75	20.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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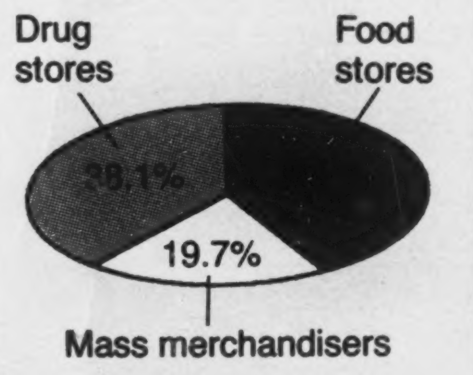
LATE NEWS

- PONTIAC, Mich. — The National Labor Relations Board has dismissed charges that Perry Drug Stores discriminated against or harassed former Revco store employees represented by the United Food and Commercial Workers union.
- SALT LAKE CITY — American Stores reported that third quarter net income climbed 64 percent to $30.9 million on sales of $5.4 billion.
- WASHINGTON — In the Fantle's Drug breakup: F&M has landed two more leases in Herndon, Va. and Bowie, Md.; while Peoples Drug reportedly got Fantle's flagship store in Bethesda, Md. and a Dale City, Va., lease.

FEATURES

H&BA dollar sales share trends

(First eight months, 1990)



Source: Nielsen Marketing Research

Nielsen Review of Drug Store Retailing

A look at the economic environment, sales and invento… llocation an… s 59–68.

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SECOND CLASS

Apparel veteran named president:

Thrifty gets Rich

Eve A. Rich

By Elizabeth Richardson

LOS ANGELES — Thrifty Corp. has named Eve A. Rich, former chairman and ceo of the Contempo Casuals chain based here, as president of its 577-drug store unit.

The company is looking to Rich — the first woman to head a major drug chain — to give the struggling Thrifty a much-needed shot in the arm. "Eve has been in retailing since 1961, and we hope that she will help provide new ideas with marketing and merchandising, which are really her strengths," said Chris Bement, Thrifty's senior vp-industrial relations. "She knows the Southern California marketplace well. She's spent most of her career here, so it will be a good fit for us."

The 49-year-old Rich was the driving force behind the fast growth and success of Contempo Casuals, a unit of Neiman-Marcus Group Inc. In eight years during the eighties the company grew from 28 regional stores to a national chain of 240 specialty stores.

"She was a key part of the turnaround at Contempo, which without a doubt, was

See **Rich,** *page 77*

Douglas, Coutu's Maxi tie New England knot

By James Frederick

MONTRÉAL — Douglas Drug, Rhode Island's concentrated chain drug powerhouse, has agreed to merge its 16 stores with the five-store Maxi Drug division of Québec's Jean Coutu Group. The merger will arm Douglas with Coutu's financial muscle, give the Montréal-based Coutu a firm base of operations in its decade-long quest for retail business in the U.S., and create a potent new force in New England drug store retailing.

"The one thing we've always been shy of is the capital to grow, and this merger will give Douglas that ability. The potential for our people is just tremendous," Douglas president and principal owner John Haronian told *Drug Store News.*

> *'The one thing we've always been shy of is the capital to grow, and this merger will give Douglas that ability.'*
>
> **— John Haronian**
> president, Douglas Drug

"We've been courting him for eight years," added François Jean Coutu, executive vp of Coutu. "Douglas is a well-kept, well-organized drug chain with a good name in Rhode Island for 25 years, and

See **Douglas,** *page 77*

SupeRx ordered to cut Medicare-Glaser loose

ST. LOUIS — A Federal bankruptcy court judge here said that Medicare-Glaser will be auctioned off Dec. 19. His ruling came after SupeRx Corp., Medicare's parent, failed to gain financing for a Chapter 11 reorganization plan.

The judge had given SupeRx until Nov. 10 to line up financing. When the company failed to meet the deadline, the judge ordered the 70-store chain to be auctioned "as a going concern." But he left open the possibility of a last-minute deal by the debtor.

"We were negotiating on several different fronts" until the last week in November to find financing, Judy Dworkin, a lawyer for SupeRx, said. On Nov. 26, the judge slammed the door shut.

"I think we have considerably more value in Medicare-Glaser than we had in SupeRx," said Susan Freeman, the lawyer for the unsecured creditors. SupeRx's last stores in Phoenix were auctioned last month after management similarly failed to line up financial backing.

The collapse and federal takeover of the Lincoln Saving & Loan, SupeRx's chief lender, had forced the chain last year into Chapter 11.

Shopper loyalties highlighted in Consumer Brands Preference Study

By David Vaczek

Can you put these numbers in the bank?

The results of *Drug Store News*' Second Annual Consumer Brands Preference Study may not be as bankable as market share figures. Nor are they the retailer's most precise information for building planograms.

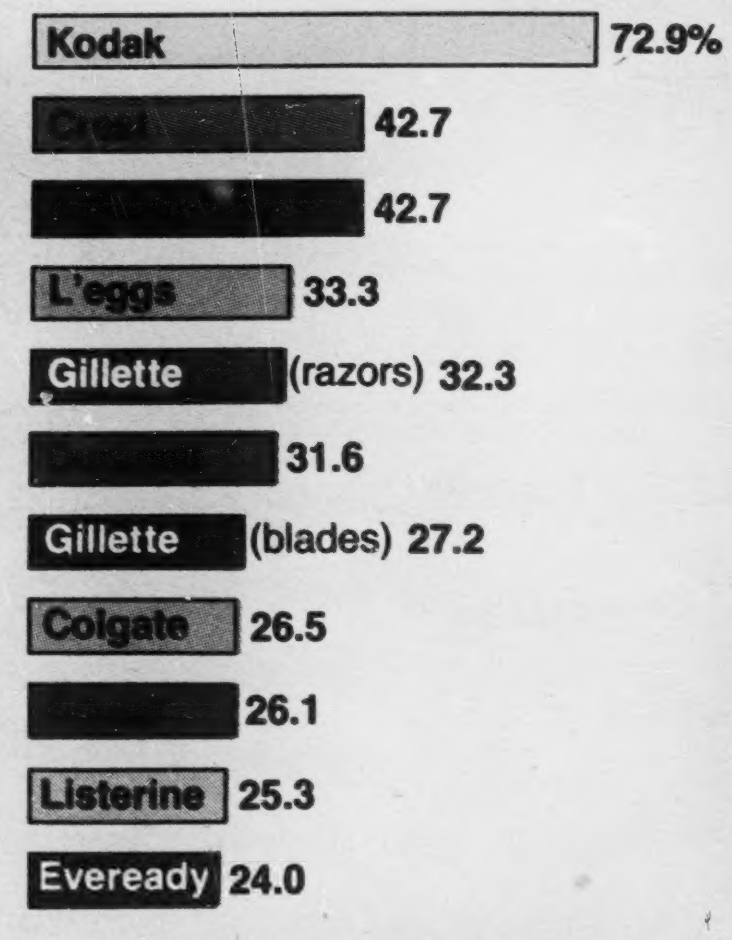
But shoppers often vote with their hearts and minds, and translate their brand loyalties into shopping activity. And that's hard currency in anyone's book.

The value and fun of this major yearly study is seeing how loyalties shift, reporting on the reasons why and making

Continued on page 23

CONSUMER BRAND HEAVYWEIGHTS

(Brands preferred by at least 20 percent of consumers within their categories)



Source: Leo J. Shapiro and Associates

NEWS IN BRIEF

Arbor makes late-year expansion push

TROY, Mich. — Arbor Drugs opened four new stores in November, bringing its total to 109 units in Michigan.

All four units are located in Arbor's home market, the greater Detroit region. The stores are located in Grosse Pointe Woods, Highland Township, Oak Park and Mt. Clemens. The chain is aiming at 150 stores before the mid-1990s.

On another front, Arbor chairman and ceo Eugene Applebaum was named Strategic Manager of the Year by the Detroit chapter of The Planning Forum, a business development group.

Along with its expansion push, the chain is also emphasizing its corporate citizen role. Arbor sponsored the sixth annual Festival of Trees' Santaland display at Detroit's Cobo Hall last month to benefit Children's Hospital of Michigan. The event drew thousands of parents to Arbor stores to redeem free prints of photos of their children with Santa.

Revco, Retton team up; Yaeger resigns

TWINSBURG, Ohio — Revco D.S. employed its new corporate spokesperson, Olympic medalist Mary Lou Retton, in a one-week holiday fundraising effort last month to benefit the families of seriously ill children.

Revco donated $2 of every $5.99 purchase of plush bears toward a local Ronald McDonald House during the event. The promotion was expected to raise $225,000 for 33 of the centers.

In a separate matter Steve Yaeger has resigned as vp-loss prevention at Revco. A spokeperson confirmed that Mike Povendo, security director, Western region, has been named as interim head of security.

Kmart marks automation milestone

TROY, Mich. — K mart Corp. has completed chainwide installation of point-of-sale scanners and satellite systems in its more than 2,200 K mart stores in the U.S. The four-year installation effort allows K mart to record every transaction and "respond quickly to what's new, what's in demand and what will keep customers coming back," according to a spokesman.

Coupled with the satellite system, the scanners cut checkout times by 25 percent, said K mart chairman Joe Antonini. "These systems not only get in-demand merchandise on our shelves faster but shorten checkout lines," he said. "[They] are integral to our retail automation program and provide the basis for centralized merchandising, expense control and customer service."

Ex-SupeRx's Schwallie joins SRX

PHOENIX — Bruce Schwallie, a vp with recently-sold SupeRx Corp. of Phoenix, joined SRX Acquisition Corp., the Al Towle-led group that recently purchased groups of Revco and SupeRx stores in the Southwest. Schwallie will be a director of merchandising.

Also, Patrick McCafferty has joined SRX as director of merchandising. A former senior merchandising director with Revco, McCafferty joined Douglas Drugs after leaving Revco in 1986, and was most recently director purchasing at Gary's Drugs.

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Simplicity, service propel growth at H_2O Plus shops

CHICAGO — H_2O Plus is making waves from San Francisco to Connecticut with specialty stores that showcase its own lines of bath and skin care products in a setting emphasizing simplicity and service.

Since the first H_2O Plus store opened here on exclusive North Michigan Avenue (appropriately, near Chicago's famed Water Tower) just over a year ago, in October 1989, the chain has grown to 23 stores in major markets across the country and in Canada. With a target of 27 stores by the end of the year, its 22nd and 23rd stores opened within a week of each other last month, one in "The Gardens," in Palm Beach, Fla., the other in the West Farms Center in West Hartford, Conn.

H_2O Plus products, sold exclusively in the company's outlets, emphasize water for moisturization, botanicals and a trademarked Hydrogels delivery system. About 100 products were developed initially. Lines now include skin care and specialty skin care, bath & shower basics and luxury, "body therapy" and sun care lines, plus special lines for men, children and babies. Plans are to launch a hair care line in February.

Progressive Bath and Skincare
Progressive

H_2O Plus store in Oak Brook (Ill.) shopping center in suburban Chicago was one of first five units opened by the specialty chain.

While the company's site strategy is to locate in high-traffic, top-of-the-line shopping centers, such as its shop in suburban Oak Brook Shopping Center here, among the likes of I. Magnin and Marshall Field, H_2O Plus's marketing strategy eschews an upscale image, instead emphasizing value and service.

Cindy Melk, 28, executive vp and creative director, who originated the H_2O Plus concept, said her idea was to create a non-nonsense, affordable alternative to what she considered the overpriced, overpackaged products offered in department stores.

Thus, H_2O Plus products are priced about 15 percent to 20 percent below department store designer lines, ranging from $1 for sparkling mineral water to $25 for Moisture Therapy skincare gel. The average product price is $12, and the average transaction is about $35.

Packaging is minimal—transparent plastic bottles, jars and tubes—letting the contents' bright colors and fragrances attract the customer. Labels feature H_2O Plus's wavy logo; descriptions and instructions are clear and simple. Products are not tested on animals.

"We're an informational store," said Melk. "Our employees are informed and answer questions honestly about what's healthy for skin." In order to maintain that informed staff, the company has salespeople attend three-day seminars twice a year, in addition to their initial training.

Salespeople help customers

Continued on page 77

Pay Less scores with mail-order Rx

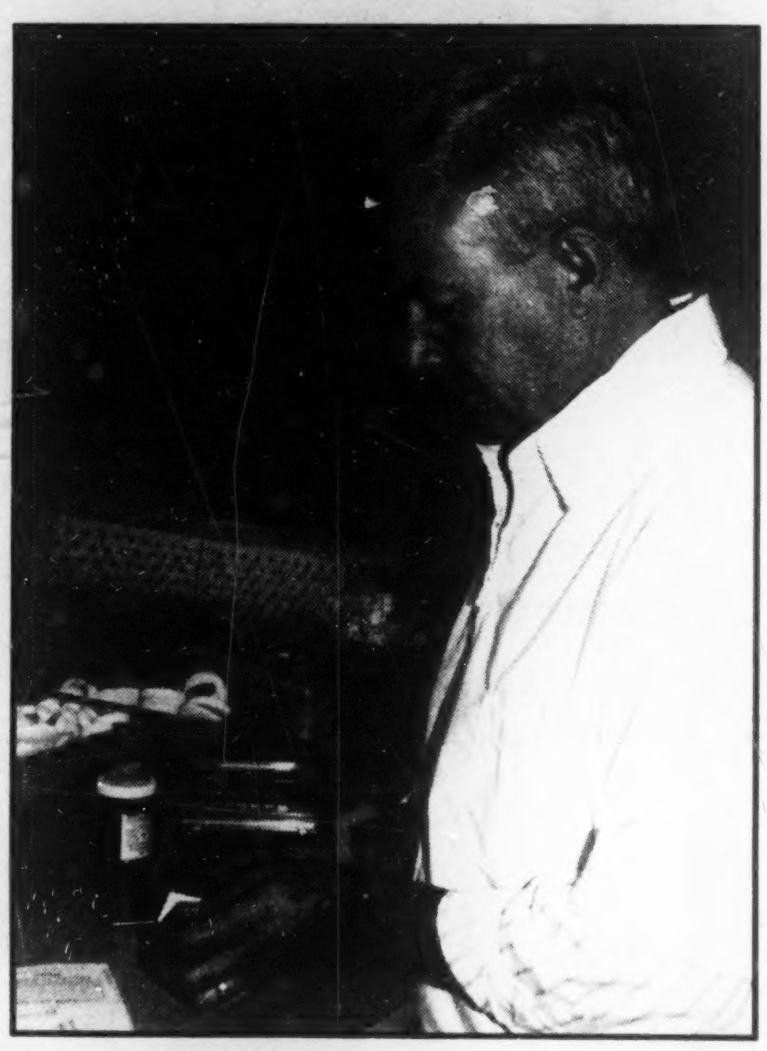
WILSONVILLE, Ore. — Pay Less Drug Stores NW has struck a responsive chord with the launch of Pay Less Prescription Express, its new mail-order pharmacy service. Since Prescription Express opened for business Oct. 22, Pay Less has signed up three of its third-party plans and tripled the number of pharmacists staffing the operation to meet unexpected early demand.

"We started with one pharmacist, one technician and a couple of clerical people, but frankly, with the success of the thing, we've had to add staff," said Gordon Barker, vp-pharmacy sales for Pay Less. "We now have three full-time pharmacists on duty . . . on heavy days, we pull in extra relief from nearby stores."

The new service's main aim, at least initially, is to bolster the chain's ability to market and deliver a full range of prescription services to current and potential third-party clients. "We are constantly looking for ways to provide better service, [and] this program will do that, particularly for clients of third-party payers," said Barker. "With HMOs, PPOs and other insurance plans becoming more prominent in pharmacy business, we wanted to be responsive to the particular needs those groups represent."

Roughly 40 percent of the chain's prescription business is already third party, and that percentage continues to grow, said Barker. Pay Less now services 450 to 500 different plans, and its computer capabilities give it on-line billing and verification abilities with the vast majority of them. Said Barker, "We expect to be a major player in the third-party business on the West Coast, if we aren't already. [Mail order] is a tool that will help us market to our third-party plans."

Highlighting the early success of Prescription Express is the fact that one of the first three third-party plans to sign on for the service is Foundation Health Care Plan of Sacramento, with more than 300,000 member-participants in California. All those members now have access to Pay Less' mail-order service as well as its retail prescription services.



Pay Less' Prescription Express needs three pharmacists on duty including John Hanson.

Barker said the mail-order service will ultimately save money for all involved. "With this service, we have a lower overhead, which allows for lower costs to the provider.

Continued on page 77

OPINION

The industry's 10 best stories of '90

IN THE MARKET
BRUCE BUCKLEY

It's that time of year: The time when newspaper and magazine writers, columnists, critics, etc., look back and compile their Ten Best (or Worst) lists. I won't depart from that tradition, as hackneyed as it may be. So, herewith is my 1990 Ten Best list.

Eve Rich becomes president of Thrifty Drug. For me this story tops the list — a huge surprise. There were no doubt any number of possible retail drug suitors for this challenging, high-visibility job. Thrifty Corp. took a different route and picked a top executive from apparel retailing. A sense of fashion, a woman's point of view, a proven track record in guiding company growth — these should be considerable strengths for a chain that badly needs to lure more women shoppers back into its stores. Thrifty's to be commended for its intriguing choice.

The return of familiar names to the chain drug scene. This involves not one but several stories that broke during during the year. Among the well known returning veterans: Bob Begley, Al Towle and Bill Edwards.

Raisa Gorbachev's impromptu visit to a Snyder's drug store. Not a blockbuster news event, but for me symbolic, at the most basic, grassroots level, of how far we've come in reducing East-West tensions.

Martin Grass and Rite Aid cleared in bribery case. This was a case that never should have been brought, as the trial judge quickly determined. That Rite Aid and its president were able to maintain the company's momentum in the face of extraordinary pressures was a tribute to their toughness.

Expansion of advanced computer technology. Again, not one story, but many. Drug chains such as Walgreens, Eckerd, Thrifty, Rite Aid, Pay Less and others committed their investment resources to automation advances. Their health depended on it.

Dan Jorndt becomes Walgreens' president. With all the highly publicized management turmoil at other chains, it was refreshing to report on the well planned transition of leadership from Fred Canning to Dan Jorndt.

Growing strength of pharmacy departments. Yes, supermarkets and discount department stores are installing pharmacies as fast as they can. But drug stores, with their neighborhood convenience and pharmacy tradition, retain the edge. In the end, there will be more than enough for everyone as America's population ages, and new drugs are found for an assortment of ills.

New drug store formats create excitement. Periodic store remodels have always been a part of drug retailing. But within the past couple of years, there's been an acceleration of new designs featuring exciting, easy-to-shop front ends coupled with warmer, more accessible pharmacy departments. It's hard to single anyone out, but *Drug Store News* honored two of the best with REX awards: Eckerd and Pay Less.

Peoples' purchase by CVS. The good news was that a proud chain with a long history will continue and prosper under CVS's management. The bittersweet part: the top-level management that got the chain turned around will be leaving.

Chains respond to reserve call-up in Mideast crisis. Eckerd, Osco and others went far beyond what the law required in protecting the jobs and status of reservists called up during the crisis. It was the finest example of companies operating for the good of their communities, and thereby doing themselves good.

If I were to compile a "worst list," it would have to include the demise of Dart, the prosecution of Rite Aid and Martin Grass, the continuing erosion of drug stores' H&BA market share, the bankrupcy turmoil at Revco and the failure of SupeRx Corp. of Arizona, a promising newcomer to the chain drug field.

In any event, here's to a more prosperous 1991.

H_2O plus Ulta^3 equals loyal patronage

THE HUMAN SIDE
AL HELLER

How much is H_2O PLUS Ulta^3? Chicago-area merchants know this really isn't a math problem; rather, it's a lesson in building loyal patronage, repeat visits and incremental sales and profits.

In recent months, these two totally dissimilar specialty chains — H_2O PLUS and Ulta^3 — have brought shoppers some fresh, feel-good approaches to some well-off, fast-growing suburbs of the Windy City. Both appeal to sophisticated, value-oriented consumers who respond to service.

Ulta^3 just opened its third, 6,000-square-foot, off-price cosmetics-fragrances-costume jewelry-fashion store in Morton Grove around Thanksgiving and plans for two more to follow shortly. Ulta^3, billed as the "ultimate beauty store," was developed by ex-Osco executives Dick George and Terry Hanson, who know this local market.

Their premise is direct: be first with new products; be 100-percent in-stock or sell it next time to a customer for half-price; no display hassles, such as locked showcases; easy returns and exchanges; 20 percent to 30 percent discounts on most items.

Cook that with a pamper premise: Color Me Beautiful makeovers available for $30; a three-seat hair salon anchors the store's rear corner; a calming gray, mauve and black decor. It could be a recipe for loyalty. The format's development, an obvious stretch from their drug store roots, followed extensive consumer research.

H_2O PLUS operates 23 bath and skin care specialty shops — it's aiming for 27 by year's end — from San Francisco to Palm Beach, Fla., to West Hartford, Conn., with Chicago a prime market. Its dazzling presentation befits a department store, whose shoppers the chain is attempting to pick off with unintimidating service, a sense of in-store fun and aggressive follow-up with those on their mailing list.

Claims aside that H_2O PLUS might aim too high and miss mass traffic, or has copied ideas from the better established Body Shops, *the chain makes customers feel good.* As Jonathan, an Oak Brook sales associate, said, "In department stores, you face pushy women, then leave the store with a little bag and a big receipt."

At H_2O PLUS, yellow rubber ducks fill stainless steel sinks as part of the decor; signs urge customers to "indulge, pamper, caress" and more; gifts are wrapped; glass shelves are curved to resemble waves. People lighten up in here and are more receptive to buy. The result: $35 average transactions on a $12 average SKU of concentrated skin care product.

Cash register receipts include the store phone number and salesperson's name. Every salesperson attends intensive three-day seminars twice a year. Salespersons aren't licensed to apply creams to the face, but liberally sample products on customers' hands. And, in a matter of minutes, a shopper and salesperson can complete a detailed skin care profile form — with copies going to the customer, who feels pampered; the salesperson and the store file for subsequent visits, and the corporate office for follow-up mailings.

The Oak Brook store alone maintains profiles on 500 customers — an enviable corps of repeat shoppers for any store selling toiletries. That's the power of personalization.

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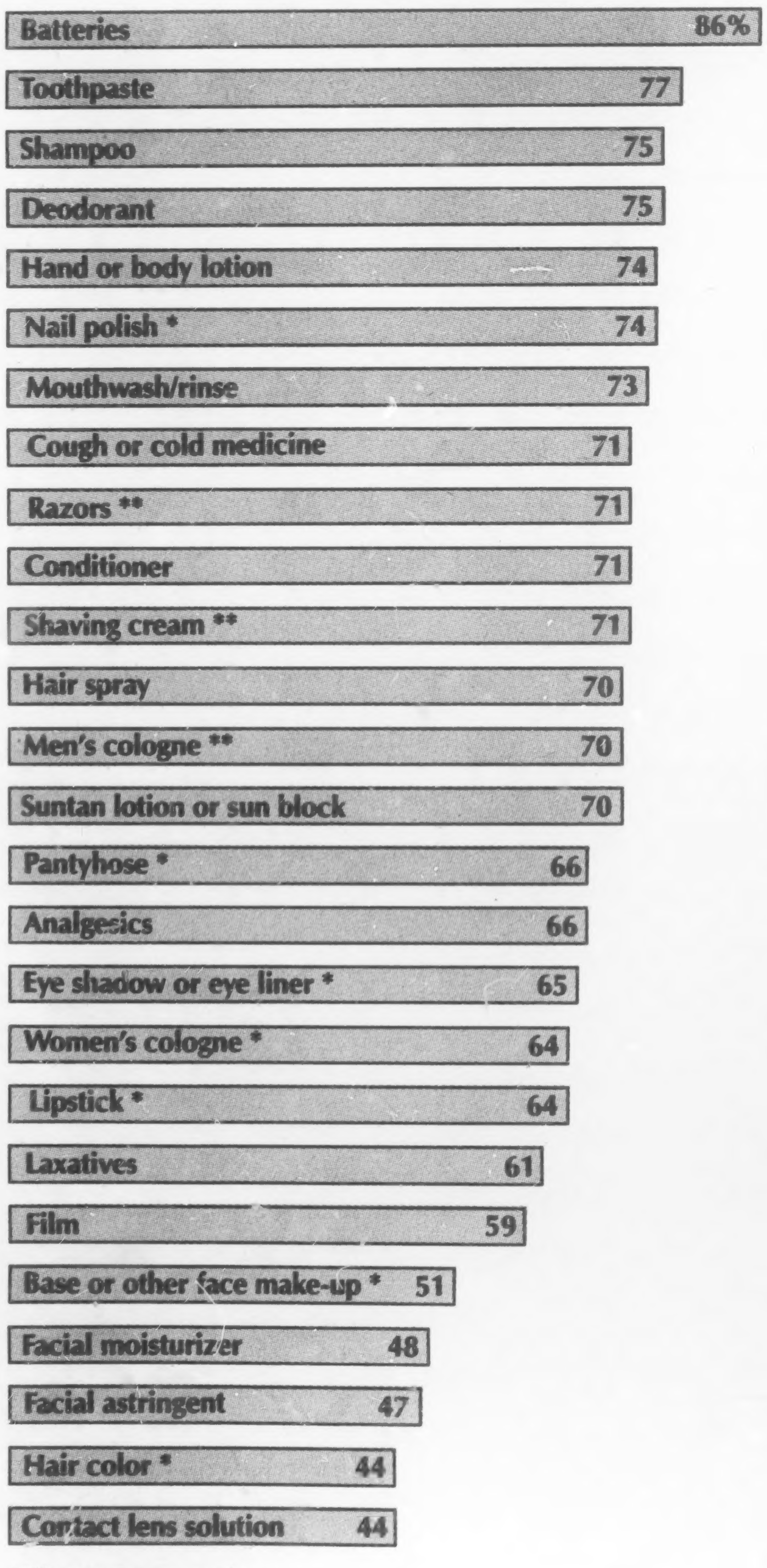
TRENDS

Walgreens	8.8%	Perry	1.5%
Revco	6.0	SupeRx	1.5
Eckerd	5.6	Rexall	1.5
Osco	3.1	Peoples	1.4
CVS	2.9	Pathmark	1.1
Thrifty	2.9	Pay Less	1.1
Rite Aid	2.6	Thrift	1.1
Wal-Mart	2.3	Snyder	0.9
Longs	2.2	Brooks	0.6
Drug Emporium	2.1	Medicine Shoppe	0.5
Sav-on	1.9	Other	39.9
Phar-Mor	1.7	None	3.0

Most customers are willing to switch brands

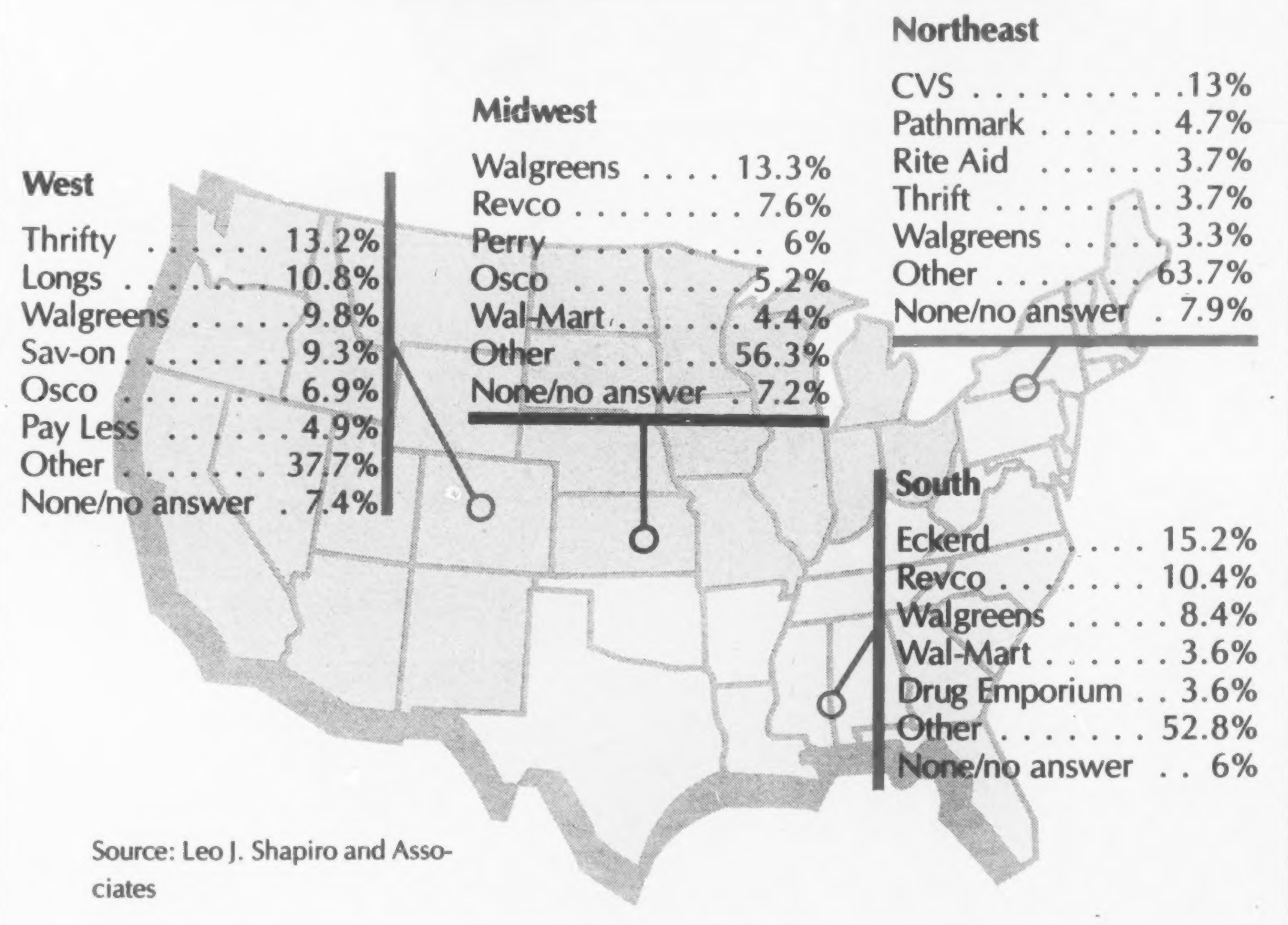
(Percentage of shoppers willing to switch if regular brand is out of stock)



* Women shoppers only
** Men shoppers only

Source: Leo J. Shapiro and Associates

What drug stores consumers shop most, by region


West
Thrifty 13.2%
Longs 10.8%
Walgreens 9.8%
Sav-on 9.3%
Osco 6.9%
Pay Less 4.9%
Other 37.7%
None/no answer . 7.4%
Midwest
Walgreens 13.3%
Revco 7.6%
Perry 6%
Osco 5.2%
Wal-Mart 4.4%
Other 56.3%
None/no answer . 7.2%
Northeast
CVS 13%
Pathmark 4.7%
Rite Aid 3.7%
Thrift 3.7%
Walgreens 3.3%
Other 63.7%
None/no answer . 7.9%
South
Eckerd 15.2%
Revco 10.4%
Walgreens 8.4%
Wal-Mart 3.6%
Drug Emporium . . 3.6%
Other 52.8%
None/no answer . . 6%

Source: Leo J. Shapiro and Associates

Where does product loyalty end, price sensitivity begin?

Continued from page 1

sense of economic and lifestyle factors that will determine where those preferences will lie in the coming year.

Consumers' perceptions about brands, and their reasons for buying vary. It's hard to know where loyalty or habit ends, and where, say, price sensitivity begins. Promotions and advertising might spark consumer interest in a brand during the flight, but yield few clues to long-term brand preferences.

Gender, age and geographic region, along with product quality, and vendor and retailer ads and promotions further influence brand preferences. Merchandisers with insight will always be ahead when assorting departments intelligently.

The *Drug Store News* study offers interesting perspective on how consumers think about 28 merchandise categories. Their buying behavior on a broad range of products, from OTCs to cosmetics to batteries, is also tracked in food and discount stores, which the survey confirms are key purveyors of many "drug store" products.

The survey results lead to two key conclusions: (1) drug chains are a frequently preferred retail channel for the front-end merchandise surveyed, and (2) consumers have a strong awareness and loyalty to brands, which they buy year-round.

Consumers' brand loyalty comes from a need for convenience and security. Brands take the risk out. . . by offering a product that has worked well before.

Brand preference runs high. Between 82 percent and 99 percent have a preferred brand. Aspirin or non-aspirin pain relievers was most cited as the category with a preferred brand, by 98.6 percent of users. It was followed by toothpaste, at 98.4 percent, and film, 97.9. Quality is paramount to consumers in aspirin and film, so they prefer the brand that last performed well for them. Strong vendor advertising helps bond shoppers to their preferred toothpaste.

In the categories in which consumers were least likely to have a favorite, brand preference still runs high. Sun lotion scored lowest, with 81.8 percent still having a preferred brand, followed by nail polish, 85.9 percent, and hairspray, 88.5 percent.

The survey found that consumers largely buy the brand they desire; from 80 percent to 94 percent of shoppers make a successful trip. Discount and food stores' increasing emphasis on these categories, and drug chains' competitive emphasis on assortment, certainly accounts for the high satisfaction level mass retailers are providing.

Consumers' brand loyalty comes from a need for convenience and security. Brands take the risk out of purchasing by assuring the consumer a product that has worked well before.

The South emerged as a region of high brand awareness. Among those saying they had more awareness than others, 33.9 percent were from the South, followed by the Midwest, at 23.6 percent; the West was lowest at 18.2 percent.

Most shoppers will switch if their preferred brand isn't available. Consumers' high willingness to switch attests to brands' overall credibility. Shoppers expect to receive equal value from another product

Continued on page 41

Consumers name their favorite brands

(Shoppers were asked: If you were buying a product in a particular category, which brand would you buy?)

Analgesics
Tylenol
Bayer
Advil

Contact lens solution
Bausch & Lomb
Boston
Alcon

Cough or cold medicine
Vicks
Robitussin
Nyquil

Laxatives
Ex-Lax
Correctol
Metamucil

Mouthwash/rinse
Scope
Listerine
Plax

Toothpaste
Crest
Colgate
Aqua Fresh

Shampoo
Suave
Head & Shoulders
Pert/Pert Plus

Conditioner
Suave
Nexxus
White Rain

Deodorant
Secret
Mennen
Ban

Facial astringent
Mary Kay
Clinique
Sea Breeze

Facial moisturizer
Olay
Avon
Ponds[1]
Mary Kay

Hair color[2]
Clairol/Loving Care
L'Oréal/Preference
Nice & Easy

Hair spray[2]
Aqua Net
White Rain
Final Net

Hair spray[3]
Aqua Net
White Rain
Final Net[1]
Consort

Hand or body lotion
Vasoline Intensive Care
Jergens
Avon

Men's cologne[3]
Old Spice
Polo
Brut

Razor blades[3]
Gillette
Schick
BIC

Razors[3]
Gillette
BIC
Schick

Shaving Cream[3]
Colgate
Gillette
Barbasol

Suntan lotion or sun block
Coppertone
Hawaiian Tropic
Bain de Soleil

Continued on page 26

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1. Indicates tied with product that follows
2. Asked of women only
3. Asked of men only

Source: Leo J. Shapiro and Associates

HOT TAMALES
MIKE IKE
JOLLY JOES
FUN SIZE

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Buyer brand loyalty strong

Continued from page 23

in many categories.

The survey found that 86 percent would buy a different brand battery if their preferred brand wasn't available — reflecting the high credibility earned by the major brands. High willingness to switch was also shown in toothpaste (77 percent), shaving cream (71 percent), and men's cologne (70 percent).

Contact solution loyalty

The category where consumers were least willing to switch was contact lens solution, with 44 percent. Consumers are loyal to the systems recommended by their doctors. Hair color (44 percent), and facial astringent (47 percent) also has fierce adherents.

The switching phenomenon can also be seen as being driven by the desire for convenience; consumers would rather buy than look elsewhere.

The switching phenomenon can also be seen as being driven by the desire for convenience; consumers would rather buy than look elsewhere. Promotional pricing on competing brands and stock outages add momentum to switching.

About one in three purchases was made at a promotional price, through all channels. Batteries were named most often as having been purchased at a sale price (46 percent). Kodak's entry into this market, as well as the proliferatiom of multipacks, has created promotional pricing. Hair spray (45 percent), and razors (44 percent) followed.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Suave	6.9%	8.4%	8.0%	4.5%	7.8%
Nexxus	3.8	4.7	4.0	3.9	2.5
White Rain	3.1	2.8	2.4	4.2	2.5

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Old Spice	11.6%	17.3%	13.0%	5.3%	14.0%
Polo	6.9	7.7	3.7	11.8	2.0
Brut	6.0	1.9	5.6	13.2	NA
Obsession	3.4	1.9	5.6	2.6	4.0
Mennen	3.0	NA	7.4	2.6	2.0
Drakkar	3.0	1.9	3.7	2.6	4.0

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Loyal shutterbugs stick with a good thing in film market

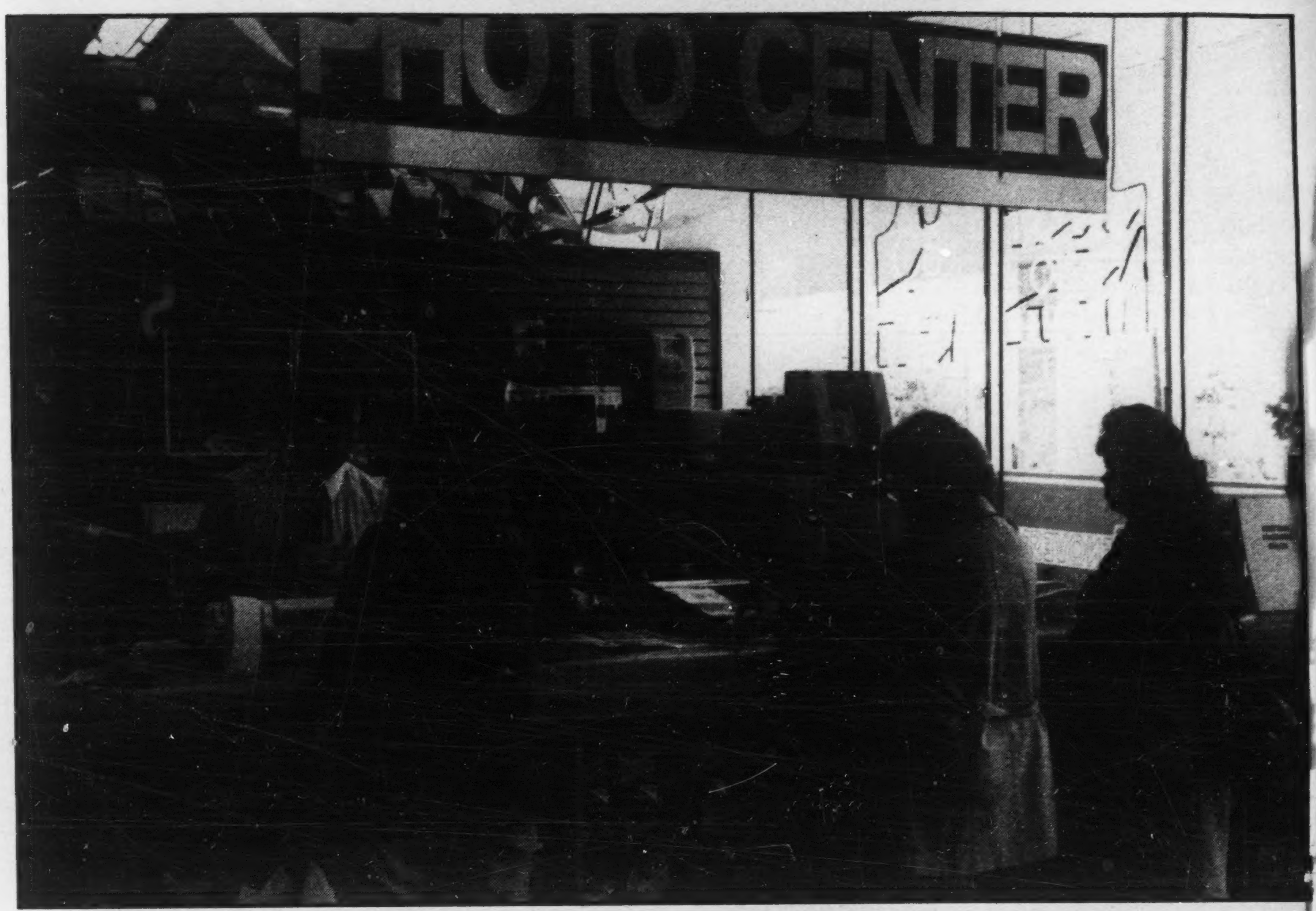
Sell me my film brand or watch me walk, could be a popular refrain of loyal shutterbugs. An overwhelming 98 percent of film users say they prefer a specific brand—and just 59 percent, a low figure, will substitute if their favorite is unavailable.

Among 28 categories tracked, just five others commanded similar loyalty. As amateur photographers grow increasingly sophisticated, they stick fiercely by the brands that have given good prior results.

Among film purchasers of the past 12 months, 81.1 percent said they bought Kodak, 5.8 percent Fuji, and 2.6 percent Polaroid. The magnitude of the response for Kodak and Fuji reflects the pickup in 35mm film use stimulated by quality, easy-to-use cameras.

Polaroid's actual share of unit purchases is higher than might be concluded from the survey response. Polaroid accounted for 11 percent of film unit sales in 1989, the Photo Marketing Association reported, compared with 67 percent for 35mm.

Kodak	72.9%	74.0%	71.1%	71.6%	76.0%
Fuji	3.2	2.3	2.8	3.0	4.9
Polaroid	1.9	1.4	2.8	2.7	NA



Ninety-eight percent of film buyers say they prefer a specific brand.

Owning two cameras

The numerical difference is attributable to many picture-taking households owning both 35mm and Polaroid cameras, but using 35mm more. The instant camera may be used more for special occasions—though that could change this year, as the concept of a major Polaroid advertising campaign sets in. The campaign will demonstrate the versatility and usefulness of instant pictures.

Indeed, respondents who named a 35mm brand as the one last purchased may also be loyal to Polaroid instant film, or even Polaroid's 35mm One-Film, which Polaroid claims has over a 2 percent unit share.

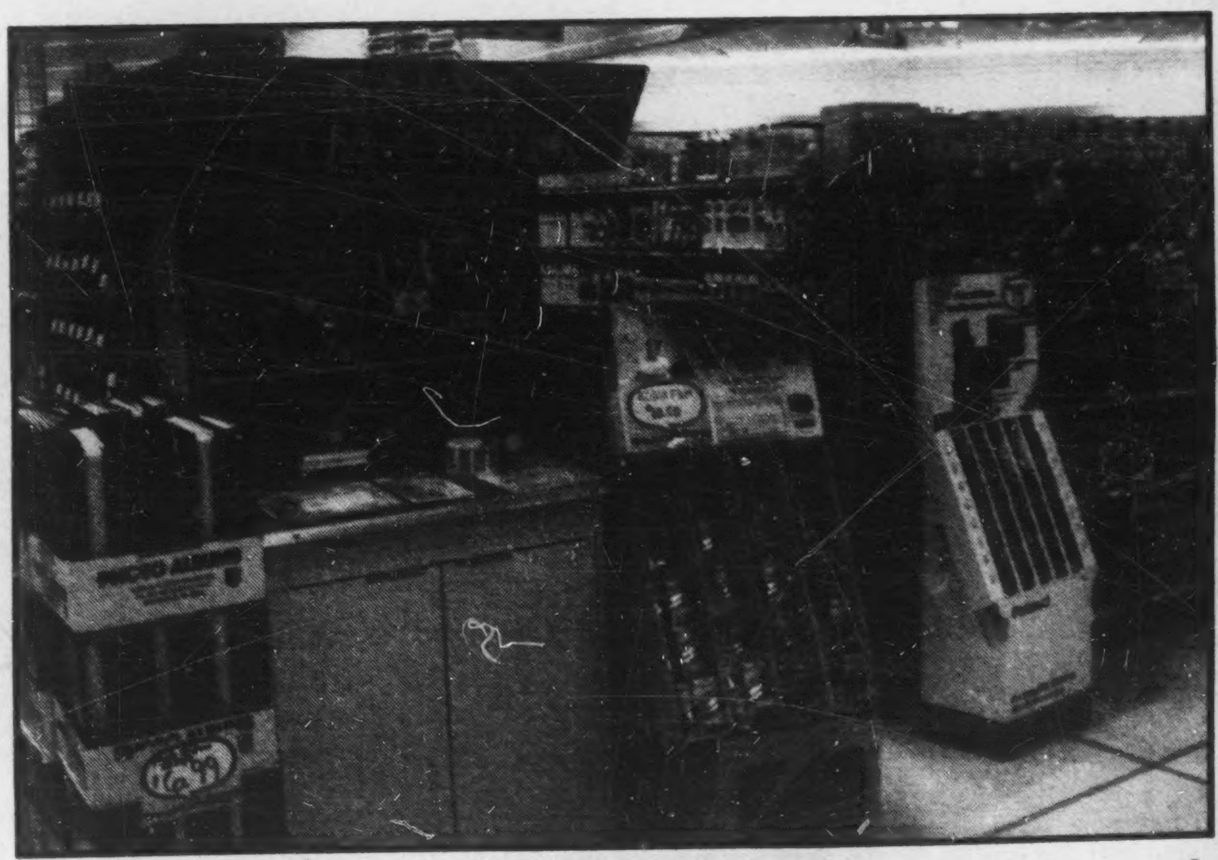
The results show Fuji has held onto market share, which it claims is over 10 percent. In such places as Southern California, its share approaches 25 percent. Since 1988, Fuji has achieved significant drug store distribution, including Phar-Mor, an exclusive for the brand, plus Drug Emporium and Longs.

The major brands stayed in the consumer focus in 1990. Kodak's promotion with Disney featured its first nationwide use of on-pack coupons, and its first national television campaign designed specifically for the promotion. Fuji, meanwhile, emphasized free-standing inserts with coupons.

Kodak's strongest growth has been in the food stores, reflecting in part its near 100 percent saturation of the drug and discount channels.

Discount stores captured the most sales due to the growth of outlets and cross merchandising opportunities. Of film buyers polled, 37.9 percent bought in discount, 32.3 percent in drug, and 20.7 percent in food stores.

An overwhelming 98 percent of film users say they prefer a specific brand—and just 59 percent, a low figure, will substitute if their favorite is unavailable.



Among 28 categories tracked, just five others commanded as much loyalty as film. As amateur photographers grow increasingly sophisticated, they stick fiercely by the brands that have given good prior results.

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Advertising helps make sun care category shine

Category buyers are always the first to remind manufacturers that if they want their products to move out the door, they must "advertise, advertise, advertise." In the case of sun care, the adage really holds true.

Coppertone is one of the most heavily advertised suncare brands ever, and according to the latest *Drug Store News* Consumer Brands Preference Study, it is far and away the most popular brand in this segment.

Twenty-nine percent of all consumers who purchased sun care products in the past year bought a Coppertone brand.

Significantly too, in a category that is not particularly high on brand preference, two-thirds of all Coppertone purchases were made at full margin, when the brand was not on sale.

In contrast, closer to half of all purchases of hand and body lotions, razors, shaving creams and men's hair sprays were made on sale.

When retailers can identify the popularity of a brand like Coppertone, they can turn that popularity to their advantage, first by limiting the number of other brands they need to stock to round out their sun care set, thereby maximizing their inventory dollars; second, by generating a high sell-through at full margin, thereby maximizing gross profit dollars.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coppertone	14.1%	13.0%	15.7%	13.7%	13.7%
Hawaiian Tropic	2.8	2.8	2.8	3.6	1.5
Bain De Soleil	2.6	4.2	1.6	2.1	2.9

To a moderate degree, sun care continues to be a regionalized category with consumers in the different geographic regions showing somewhat different brand preferences.

For example, 8 percent of consumers living in the Western region named Bain de Soleil as their preferred brand compared to just 2 percent in the Midwest. Seven percent of those living in the Midwest named Hawaiian Tropic as their preferred brand compared to just 3 percent in the Northeast.

Unlike toothpaste, deodorants, and shampoos, however, sun care is not a high tonnage category, confined as it still is to seasonal demands.

It is, however, more frequently in demand in neighborhoods that cater to younger consumers as well as to consumers with higher household incomes.

Eighty percent of all sun care purchasers are under 49 and 41 percent are under 35.

Sun care is more in demand in neighborhoods that cater to younger consumers as well as to those with higher incomes.

Nearly 50 percent of all purchasers have household incomes over $40,000 and 41 percent have attended college.

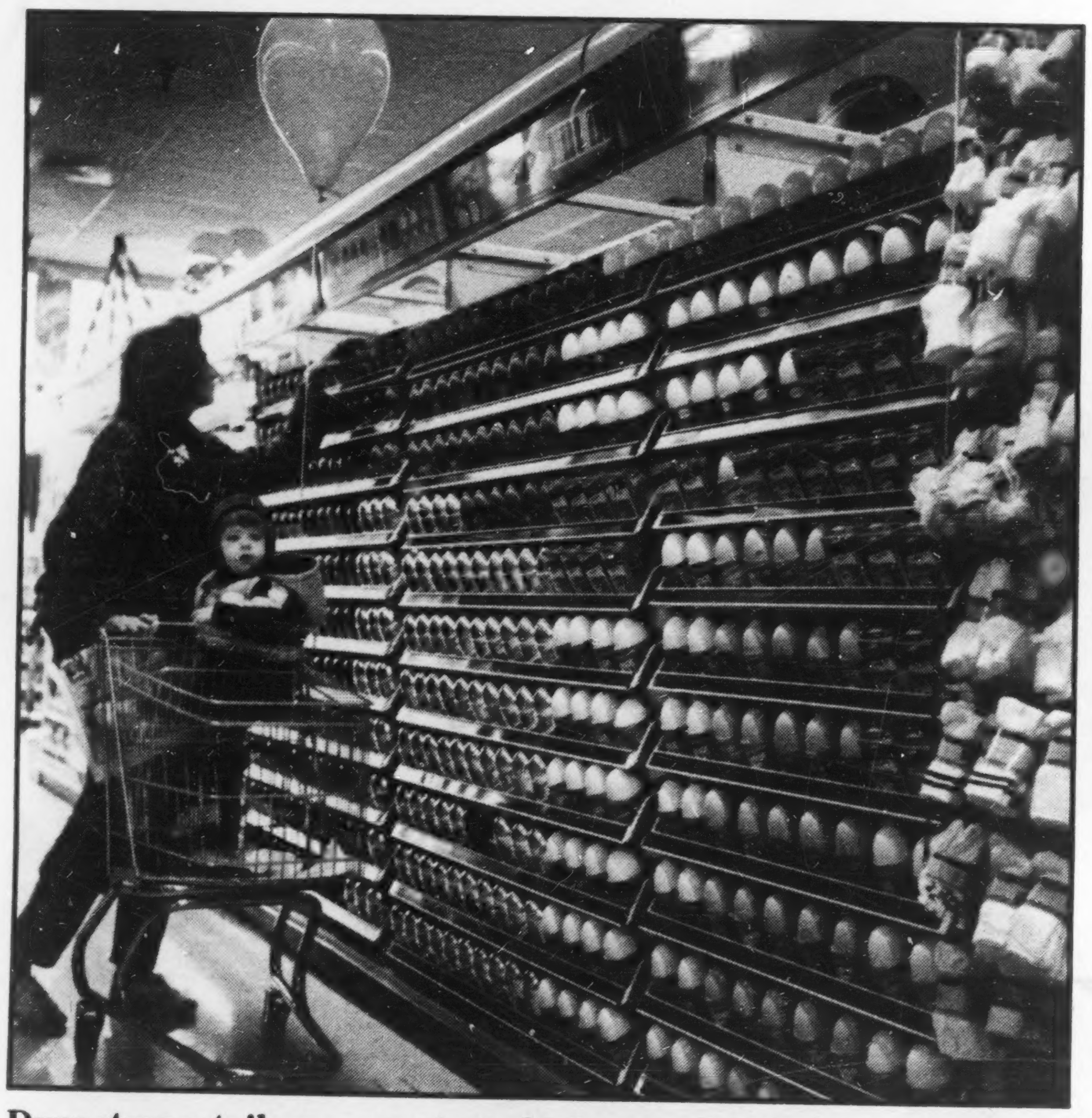
So it makes sense for retailers to tailor their sun care planograms to their neighborhoods. And to advertise sun care most frequently in markets where there are younger consumers, who tend to be sun lovers, as well as in markets where there are educated consumers, who tend to be aware of the need for sun protection or at least to tanning with protection.

Price and pizzazz add kick to hosiery sales

Most drug chain hosiery departments have more kick today than ever before, thanks to streamlined fixtures that make a unified statement in this category, and broader assortments calculated to meet a variety of fashion, price and size needs.

The trend is toward giving hosiery increased space and ad support more in proportion to the direct profit contribution the department makes — which is considerably greater than that generated by, say, bar soap or shampoo.

Drug chains' hosiery ad activity generally corresponds to findings of this year's Consumer Brands Preference Study, which showed L'eggs to be the leading preferred brand, followed by No Nonsense and Hanes, in a virtual tie, and Just My Size. In September, for example, drug store retailers concentrated 1.5 percent of their advertising on the clothing category, according to the Ad Activity Report, and most of that was given to hosiery, especially to several L'eggs and No Nonsense lines. Private label pantyhose was also advertised relatively often.



Drug store retailers concentrated 1.5 percent of their advertising on the clothing category, and most of that was given to hosiery.

Retailers aggressively promote and use special freestanding and interactive displays for hosiery and often position legwear near cosmetics, as they've found that women tend to expect hosiery to be near cosmetics. Buyers say pantyhose manufacturers such as L'eggs and No Nonsense cooperate with their chains in supporting basic brands with promotions and value-added packages. And line introductions, such as L'eggs' recent Classics entry, help stimulate category sales.

Being in stock in this category is of utmost importance, but it's difficult to achieve, because of the variety of sizes, shades and styles. (The four major styles are premium sheer, light support, basic and color.) The difficulty of staying in stock, and the lukewarm brand loyalty in this category, have helped persuade retailers to broaden their hosiery assortments.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
L'eggs Sheer Energy	33.3%	36.2%	31.8%	30.9%	36.4%
No-Nonsense	10.0	9.8	9.2	11.6	8.4
Hanes	9.9	12.3	6.2	10.0	11.7

Indeed, women are fairly fickle in this category: about two-thirds of respondents in this year's Brand Preference Study said they would buy another brand of pantyhose if their favorite was out of stock.

Moreover, pantyhose tied with non-aspirin pain relievers as categories with the strongest showing for private label as preferred brand. When asked what brand they would buy if buying pantyhose, 5.7 percent of women in the study named the private label-/store brand. When asked what brand they actually bought last, the percentage was even higher — 7.6 percent. Interestingly, respondents in the Midwest and West were decidedly more inclined than women in the South and Northeast to mention private label as their preferred brand of pantyhose. Midwestern and Western women were also slightly more brand loyal than women in the other two regions.

While women don't appear to be highly brand loyal, the other side of the coin is that if they do try a different brand and that brand doesn't fit well or isn't long-wearing or in some other way fails to please them, that poor performance becomes apparent fairly quickly and is an effective negative reinforcement of that particular brand.

Lipstick is most popular cosmetic; face, eye colors also on must list

Of all the color cosmetic categories, which one is the most popular with women?

Did you say nail color? Good guess, but it's wrong. The color cosmetic that most women wear is lipstick. According to the latest *Drug Store News* Consumer Brands Preference Study done by Leo J. Shapiro and Associates, 75 percent of all women buy lipstick and 82 percent of all lipstick users have bought at least one in the past 12 months.

If lipstick is the most frequently purchased color cosmetic, Shapiro found that Revlon is the most popular retail lipstick brand. The only lipstick to score a popularity rating higher than Revlon's was Avon's Pure & Gentle Lipstick line, which is sold door-to-door.

However, Revlon was nearly neck and neck with Avon in popularity, and it was twice as popular as its nearest competitor, the department store lipstick line from Estée Lauder.

Maybelline, Clinique, Cover Girl and Mary Kay each had between a 6 percent and 7 percent popularity share among women who had actually purchased lipstick in the past 12 months. After that the shares became highly fragmented, ranging from a high of 2.5 percent for L'Oréal's lipsticks to a low of 0.4 percent for Almay, Ultima, and others.

Lipstick buyers are also willing to spend full price for their favorite brands. Only 29 percent of those who had bought a lipstick in the past year said they had got it on sale.

Face makeup is another frequently used category. Sixty-five percent of all women use a face makeup, according to Shapiro, and 83 percent of all users have bought at least one in the past year.

Their favorite brand, by far, is Cover Girl, the choice of 17 percent of all those who had bought a makeup in the past year.

Mary Kay had second place with 10 percent, and Maybelline, Clinique and Avon were in a close tie for third place. Estée Lauder and Revlon were the next two most popular choices, and then brand loyalties became fragmented.

Women showed even more willingness to buy face makeups at full price. Only 20 percent said they picked up their face makeup on sale, a sign that retailers don't have to discount face makeups to generate sales. Women know which brand they want and they will buy it when they need it, sale or not.

Eye color products are used by about two out of three women, and of these, 78 percent have bought an eye care product in the past year.

The most popular brand? You guessed it. Maybelline.

Two out of every 10 women users named Maybelline as the color product they last bought. Another 13 percent named Cover Girl; 9 percent, Avon; 8 percent, Revlon and Mary Kay; 6 percent, Clinique and 5 percent, Estée Lauder.

Cover Girl	10.9%	9.8%	8.7%	11.6%	13.6%
Mary Kay	6.4	4.3	8.2	6.6	5.8
Maybelline	6.1	7.4	2.1	5.8	10.4
Clinique	5.2	5.5	3.6	6.2	5.2
Avon/Pure & Gentle	4.9	6.7	5.6	5.4	1.3
Estée Lauder	4.4	6.1	4.1	3.1	5.2
Revlon	4.3	3.7	3.6	5.4	3.9
Max Factor	3.0	3.1	3.6	2.7	2.6

Avon/Pure & Gentle	12.3%	14.1%	14.9%	11.6%	8.4%
Revlon	11.2	12.9	8.2	12.7	10.4
Estée Lauder	6.1	6.1	7.2	5.0	6.5
Maybelline	5.2	5.5	5.1	5.0	5.2
Cover Girl	5.1	1.2	5.6	6.2	6.5
Clinique	4.7	4.9	3.6	4.6	5.8
Mary Kay	4.3	3.7	4.1	4.2	5.2

[illegible] Asked of women only.

Source: Leo J. Shapiro and Associates

Maybelline	15.6%	16.0%	10.3%	14.3%	24.0%
Cover Girl	8.2	2.5	11.8	8.5	9.1
Avon/Pure & Gentle	6.2	8.6	6.7	6.2	3.2
Revlon	5.2	6.7	3.1	6.2	4.5
Mary Kay	4.8	3.1	7.2	4.2	4.5
Estée Lauder	3.6	4.9	3.6	3.1	3.2
Clinique	3.6	3.7	3.6	3.9	3.2

Nail polish searching for niche in 'natural '90s'

Cosmetics is notorious for being a high-SKU, slow-turn category, and one culprit, apparently, is nail polish.

According to the latest *Drug Store News* Consumer Brands Preference Study conducted by Leo J. Shapiro and Associates, just 44 percent of American women have purchased a nail product in the past year.

Polish has not found it as easy as lipstick to move into the new fashion generation of "natural looking color." It still has a hint of glamour to it, a touch of artifice, and although that will always endear it to fashion-conscious women, the tomboys, the nature lovers, and maybe even the time harried female executive will still consider the category discretionary rather than a necessity.

Nevertheless, no retailer in their right mind would risk offending the 44 percent of his/her customers who want and love nail polish.

What makes the most sense is to fine-tune inventories so only the most popular brands are carried, and in this category, popular means Revlon, Cover Girl, L'Oréal, Maybelline, Cutex, Wet & Wild and Sally Hansen.

These seven brands accounted for all but one position in Shapiro's ranking of the top eight most popular nail color brands.

Second place in that ranking went to Avon's nail color products, a line sold primarily door-to-door.

Harmless mistake

Unlike eye and face products, where women can hurt their eyes or skin if they make a mistake, nail color is relatively harmless. The worse thing a women risks if she makes a mistake is hating the color which she can change in five minutes.

That's probably why women are much more likely to buy a nail product when it's on sale than they are to buy an eye color or face makeup product. Three out of 10 nail color users said they made their last purchase when it was on sale.

COVER GIRL
COVERGIRL
Clarion

So for retailers trying to build traffic in cosmetics, this category is a good place to start. One way might be to promote a Nail Color Savings Galore event. Try putting all the top lines on sale for a week and see what that does to traffic. Meanwhile, face makeups, lipsticks, eye makeups, and facial moisturizers can be kept on the counter at full price. The consumers pulled in by the nail ad may be tempted to color coordinate some of their purchases with companion shades in the lines they bought.

A good event could make cosmetic inventory turnover problems a thing of the past, especially for stores that have service cosmeticians on hand to make product recommendation.

Women look for bargains when buying nail color; three out of 10 said their last purchase was when it was on sale.

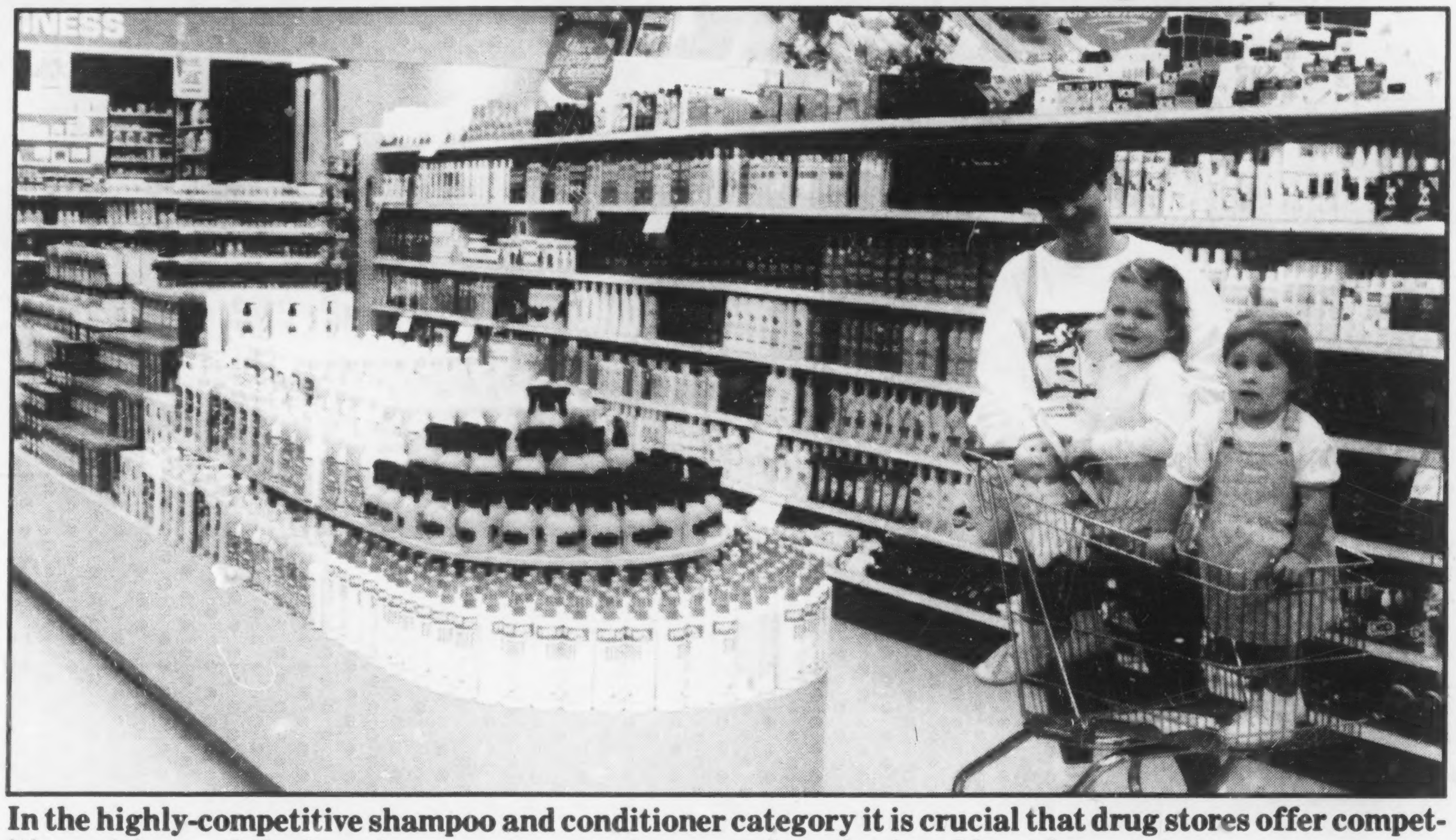
Revlon	10.8%	7.4%	12.3%	8.5%	16.2%
Avon/Pure & Gentle	8.2	10.4	7.7	8.5	5.8
Cover Girl	6.1	3.1	5.1	8.9	5.8
L'Oréal	4.0	4.9	4.1	3.5	3.9
Maybelline	3.6	3.1	5.1	3.1	3.2

Brand loyalty fluctuates between hair care categories

In the hair care category, the brand loyalty picture is one of contrasts. Although about 90 percent of respondents who use shampoos, conditioners or hair sprays said they had a preferred brand, at least 70 percent for each segment said they would switch if their brand was out of stock. In contrast, hair color users showed much stronger loyalty: 96 percent said they had a brand preference, and only 44 percent said they'd switch if it was out of stock.

Hair color users also contrasted with consumers of other hair care products on the price factor. The study shows that shampoos, conditioners and hair sprays are more likely to be bought on sale than most other drug store-type merchandise, whether purchased in a drug store, food store or discount department store: 41 percent of shampoo, 39 percent of conditioner, and 37 percent of hair spray purchases were at a sale price. Consumers are much less likely to buy hair color on sale (28 percent).

In comparison, batteries — the items most commonly bought at a promotional price — were bought on sale by 46 percent of respondents.



In the highly-competitive shampoo and conditioner category it is crucial that drug stores offer competitive pricing and the broadest assortment of mass and professional brands.

Except for hair color users, women like to switch around in the hair care category in order to give their hair a "rest" from one formula or because they want to try a product they've seen advertised, in hopes it will deliver what the ads promise. The array they have to choose from is huge, and the fragmented brand loyalty to a shampoo, conditioner or spray is evident in the relatively low percentages for the top five preferred brands in these segments.

Advertising campaigns

Manufacturers' advertising campaigns play a pivotal role in pre-selling consumers on hair care products, and new products boost the category. For example, all-in-one shampoo/conditioners, such as P&G's Pert Plus, are opening up what appears to be a new segment, with the launches of Vidal Sassoon's Ultra Care and Revlon's Flex & Go expected to create added excitement.

In this kind of highly competitive category, being in stock and pricing competitively are crucial for drug store operators; so is offering the broadest possible assortment of mass and professional brands.

But the sheer breadth of selection in shampoos, conditioners and sprays poses another challenge drug store retailers are trying to meet: how to simplify hair-care shopping for their customers, the majority of whom are busy, working women. That's where each retail operator can make a difference. They weigh planogramming by family or by category, or a combination of the two approaches. They use colorful point-of-purchase displays and special fixtures, call attention to new products with ceiling signage and offer free samples. And they constantly advertise and promote this category, sometimes devoting full-page ads to new products and including hair-care advice in circulars and other vehicles.

Consumer Preference: Women's Hair Color

	Total	Northeast	Midwest	South	West
Clairol/Loving Care	8.9%	9.8%	8.7%	9.3%	7.8%
L'Oréal/Preference	6.5	5.5	4.6	8.5	6.5
Nice & Easy	3.1	4.9	3.6	2.3	1.9

Note: Asked of women only

Source: Leo J. Shapiro and Associates

Consumer Preferences: Shampoo

	Total	Northeast	Midwest	South	West
Suave	9.0%	9.8%	8.8%	9.3%	7.8%
Head & Shoulders	8.7	7.9	11.2	7.5	8.3
Pert/Pert Plus	5.8	5.6	5.2	5.4	7.4
Prell	4.6	6.0	4.8	5.1	2.0
Nexxus	3.4	4.2	4.0	3.9	1.0
White Rain	3.4	2.8	2.8	4.5	2.9

Source: Leo J. Shapiro and Associates

Consumer Preferences: Women's Hair Spray

	Total	Northeast	Midwest	South	West
Aqua Net	7.5%	9.8%	6.2%	5.0%	11.0%
White Rain	6.5	3.1	7.7	8.9	4.5
Final Net	4.8	5.5	4.1	5.4	3.9
Breck	3.0	3.7	2.1	3.1	3.2
Paul Mitchell	3.0	3.7	1.5	3.5	3.2

Note: Asked of women only

Source: Leo J. Shapiro and Associates

Fragrance users welcome variety, creative sales pitches

Women are eclectic in their choice of fragrances. Unlike sun care or facial moisturizer, where only one or two brands dominate, fragrance is a highly fragmented category, indicating that women are willing to buy more than one brand of fragrance and that they will try new fragrances as they come to market.

In the Second Annual Consumer Brands Preference Study, no fragrance commanded more than a 9 percent preference among all women respondents.

But in considering women who actually purchased a fragrance during the past 12 months, Avon — an accessible fragrance sold by helpful door-to-door salespersons — had the highest brand preference share at 12 percent.

Estée Lauder, a popular department store line, was second with 9 percent. After that share preference breaks into 3 percent shares and less.

Cosmair's Vanderbilt was the most popular mass fragrance with a preference share of 2.8 percent. It ranked fourth on a list that included Poison as well as Estée Lauder and Avon.

Prince Matchabelli's Wind Song, Revlon's Charlie, Coty's Emeraude, Lady Stetson, and Sand & Sable were the only other class mass fragrances to make it into the top 20 preferred brands.

All the fragrances on the list were heavily advertised brands, indicating that women are responsive to creative sales pitches, and that once again, good advertising contributes substantially to a product's success in competitive categories.

As a category, fragrance is in the moderate consumption range. Fifty-nine percent of all consumers, men and women, had made a purchase of either a woman's or a man's fragrance in the past 12 months, according to the survey done by Leo J. Shapiro and Associates.

That compares, on one end of the usage spectrum, to some 96 percent who had made a toothpaste purchase in the past 12 months, and on the other end to the 15 percent of consumers who had made a contact lens solution purchase.

Another good thing about fragrance purchasers is they aren't inclined to wait until a fragrance goes on sale before buying. Seventy-one percent of all fragrances are bought when they are not on sale.

However, drug stores and other mass market outlets aren't taking as much advantage of this trend as they could. The class mass lines, including Vanderbilt, Charlie and Lady Stetson, were purchased much more frequently when on sale. as opposed to ninety percent of all Estée Lauder purchases which were made at the regular price and this was true for most of the department store lines.

This could indicate that if drug stores were to "dress up" their fashion counters more or provide more service, like department stores, they could generate more full margin fragrance purchases, and that could significantly enhance the bottom line profitability of mass market fragrance.

Consumer Preferences: Women's Cologne

	Total	Northeast	Midwest	South	West
Avon	9.2%	7.4%	10.8%	10.0%	7.8%
Estée Lauder	7.4	4.9	8.2	7.7	8.4
Chanel	3.0	2.5	3.6	2.3	3.9

Note: Asked of women only

Source: Leo J. Shapiro and Associates

Skin care category boosted by hand and body lotions

Skin care products, particularly hand and body lotions, are rapidly approaching the status of a commodity category.

According to the latest *Drug Store News* Brands Preference Study conducted by Leo J. Shapiro & Associates, 71 percent of all consumers, men as well as women, have purchased a hand or body lotion product within the past year.

That's approximately the same number of consumers who buy mouthwashes or film. More people buy hand and body lotions than conditioners or cough and cold medicine.

Hand and body lotion users are also strongly brand-conscious. Of the 28 categories measured, hand and body lotions came in seventh in the brand preference ranking.

In addition, 88 percent of all people who use hand and body products purchased one in the last year, indicating that hand and body lotions are also a relatively high usage category, in the same class as batteries and film and almost as high as toothpaste, deodorants and shampoos.

As one would expect from a commodity category, the most popular brands are price value lines like Vaseline Intensive Care Lotion and Jergens, the two most frequently mentioned brands.

But even though consumers have preferred brands in this category, they are not averse to switching if the store is out of stock or if another brand is on sale, so this is a category that can draw traffic when advertised at competitively low prices.

Facial moisturizers, on the other hand, are not as widely used as hand and body lotions, quite probably because they still haven't been able to attract a broad base of male users.

However, more people use facial moisturizers than hair spray or sun care products. Fifty-five percent of all consumers in the survey use facial moisturizers and 86 percent of all users bought one in the past year.

Oil of Olay was the runaway favorite in the category, bought by 18 percent of all purchasers in the past year.

No other brand was as dominant as Olay, but 10 percent of all of the past year's purchasers named Avon. Another 7.3 percent said Mary Kay; and roughly 5 percent each singled out Ponds, Clinique and Estée Lauder.

Astringents and toning products are the least developed skin care category tracked by Shapiro. Only 28 percent of all respondents said they used astringent products. However, consumers who purchase astringents seem to be regular uses. Eighty-two percent of the astringent users said they had made at least one purchase in the past year.

There seemed to be two types of consumers interested in astringents. Two of the most popular brands were Sea Breeze and Noxzema, products that attract teens and younger women trying to combat oily skin.

The other popular brands were department and door-to-door lines like Clinique and Mary Kay and Avon, products designed to appeal to older or more fashion-sophisticated women concerned about keeping their skin supple and invigorated.

This suggests an opportunity for drug stores to build traffic among these target groups by advertising the teen brands and the more sophisticated mass astringents like Plenitude, Almay, Moondrops and Clarion together, as well as in combination with ads for facial moisturizers and body lotions.

Consumer Preferences: Hand or Body Lotions

	Total	North-east	Mid-west	South	West
Vaseline Intensive Care	19.1%	19.1%	21.3%	20.0%	15.2%
Jergens	15.5	9.8	14.5	19.4	16.2
Avon	5.7	7.9	7.2	4.5	3.4
Johnson & Johnson Baby Magic	3.1	3.7	1.6	3.9	2.9

Source: Leo J. Shapiro and Associates

Consumer Preferences: Facial Astringents

	Total	North-east	Mid-west	South	West
Mary Kay	3.5%	3.7%	4.0%	3.0%	3.4%
Clinique	3.3	5.1	2.4	2.4	3.9
Sea Breeze	2.3	1.4	2.4	3.6	1.0

Source: Leo J. Shapiro and Associates

Consumer Preferences: Facial Moisturizers

	Total	North-east	Mid-west	South	West
Oil of Olay/ Night of Olay	9.8%	8.8%	7.2%	10.4%	12.7%
Avon	4.6	7.4	4.0	4.5	2.5
Ponds	3.7	3.7	1.2	5.1	4.4
Mary Kay	3.7	3.3	4.0	3.3	4.4
Clinique	3.2	5.1	3.2	2.4	2.5

Source: Leo J. Shapiro and Associates

Grooming interest sharpens men's shaving category

As we get deeper into the 90s, the decade of health and fitness, more and more men are showing a strong interest in personal grooming.

The majority of men today shave, and they tend to prefer soothing shaving products like razors that "glide" across the skin and creams and gels that soothe the skin.

But most men also use colognes, especially those marketed to men who want to feel good about themselves and enhance their appeal to women, and some use hair sprays to court a more polished look.

According to the latest *Drug Store News* Consumer Brands Preference Study conducted by Leo J. Shapiro and Associates, 55 percent of all men have bought a cologne within the past year. But unlike women, they seem to eschew trying a broad assortment of brands in favor of putting their loyalties behind a small stable of what seems to be perennial favorites like Old Spice, Polo and Brut.

There were eight brands in the survey that together commanded a 49 percent share of brand preference among men who had actually purchased a fragrance during the past 12 months.

None of the other brands mentioned had more than a 1 percent share of brand preference, indicating that when men find what they want in a cologne, they stay faithful to that brand.

Old Spice was the most popular cologne, singled out by 13.4 percent of the respondents who had purchased a fragrance during the past year. Three of the most popular brands were department store lines — Polo, Obsession and Drakkar Noir, indicating that men will spend money for a fragrance that's both popularly positioned and appealing to them.

Almost a quarter of the men in the survey, 23 percent, also used hair spray within the past year. But in this category, brand loyalties were more fragmented and men were using products targeted primarily at women, such as Final Net and Salon Selectives, as well as products targeted specifically to them such as Consort.

Most men, 67 percent, use shaving creams. But partly because of advertising and partly because the skin on a man's face is so sensitive, there was a strong tendency for men to be brand loyal.

Among men who had made a shaving cream purchase in the past 12 months, Gillette and Colgate were neck and neck in brand preference with a 19.7 percent and 19 percent share, respectively.

Barbasol was a close third with a 17.5 percent, followed by Edge with 16 percent.

With the exception of Noxzema, which had an 8 percent share, everything else in the category was fairly fragmented. It's clear that retailers don't need a lot of variety in the men's shaving section to make their customers happy.

Razor blades is also a high usage category with 85 percent of all men who use razors reporting they had purchased blades in the past year. Here Gillette was truly king, commanding a 46 percent brand preference among men who had purchased blades during the past year.

Schick, with a 14.5 percent share, and Bic, with a 10 percent, were in the number two and three slots.

Consumer Preferences: Shaving Cream

	Total	North-east	Mid-west	South	West
Colgate	13.8%	17.3%	18.5%	14.5%	4.0%
Gillette	12.1	11.5	7.4	10.5	20.0
Barbasol	11.6	21.2	3.7	14.5	6.0
Edge	11.2	15.4	5.6	13.2	10.0
Noxzema	6.0	3.8	5.6	10.5	2.0

[illegible]

Source: Leo J. Shapiro and Associates

[illegible]

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gillette	32.3%	36.5%	18.5%	36.8%	36.0%
BIC	13.4	13.5	22.2	11.8	6.0
Schick	10.8	9.6	22.2	7.9	4.0

[illegible]

Source: Leo J. Shapiro and Associates

[illegible]

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gillette	27.2%	28.8%	13.0%	34.2%	30.0%
Schick	9.1	7.7	18.5	5.3	6.0
BIC	4.3	3.8	1.9	7.9	2.0
Atra	3.4	NA	3.7	5.3	4.0

[illegible]

Source: Leo J. Shapiro and Associates

Confidence in batteries overshadows brand loyalty

Call it the power of confidence. Battery brands have established such strong credibility that of all categories surveyed, this is the one where consumers are most likely to switch if their preferred brand isn't available. That says a lot for a product which consumers expect to deliver long-lasting performance.

If a first choice is out of stock, 86 percent said they would buy another.

The propensity to switch also reflects what some drug chain merchants call the commodity nature of batteries.

While Ralston-Purina's high profile TV ad employing the drum-thumping bunny kept batteries in the consumer eye, it raised category awareness more effectively than it raised its own brand share.

Besides the high score on the switching question, batteries, of all the 28 categories surveyed, posted the most extreme scores on two other questions:

Batteries are bought most often in discount stores, 42.6 percent of the time, followed by food, 25.7 percent, and drug, 21.7 percent. Discount stores are taking advantage of impulse displays near hard goods departments, such as sporting goods, electronics and records.

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Duracell	31.6%	38.6%	28.5%	29.0%	32.4%
Eveready	24.0	20.5	24.1	21.8	31.4
Energizer	14.1	16.7	12.9	15.2	10.8

And batteries are the category bought most often at a promotional price, 46 percent.

This finding reflects the intensive promotional activity by Ralston-Purina, Duracell, Ray O Vac and Kodak. Besides rampant couponing, increased multipack merchandising has led to more promotional sales.

When asked their last brand purchased, responses for the top three brands were virtually identical to those of last year's survey, which was performed by another firm. Duracell was named by 34 percent, Eveready by 27.5 percent, and Energizer by 15.7 percent. Ray O Vac posted 3.2 percent and Kodak 2.6 percent.

Ralston has maintained recently that Energizer is virtually neck-and-neck, if not ahead of, Duracell in market share. The company also maintains that the Energizer far outsells the Eveready brand. As Ralston's brand for zinc-carbon batteries, Eveready has been affected by the decline of zinc-carbon market share, which was 24 percent of battery unit volume sales in 1990.

The current survey's relatively low results for Energizer and high results for Eveready in light of Ralston's claims can be explained by the fact that "when people name Eveready often times they mean Energizer," a Ralston spokesman said.

Ray O Vac and Kodak's staying power is noteworthy. Strong in discount, Ray O Vac continues to press for more distribution in drug and food channels.

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1990 Nielsen Annual Review of Retail Drug Store Trends

Consumer Price Index

(Years ending Dec. 31)

	1985	Years 1988	1989	Percentage change vs. year ago	First eight months '90	Percentage change vs. first eight months '89
Food-at-home	104	117	124	6%	132	7%
Food-away-from-home	108	122	127	4	133	5
Medical care	114	139	149	7	160	9
Prescription drugs	120	152	165	9	179	10
OTC drugs	112	131	139	6	144	5
Physicians services	113	140	150	7	159	7
Dental services	114	138	146	6	154	7
Hospital room	115	143	158	10	173	12
Personal care	108	119	125	5	130	4
Housing	108	118	123	4	128	4
Fuel oil & other utilities	107	104	108	4	111	3
Apparel & upkeep	105	115	119	3	123	4
Transportation	106	109	114	5	118	4
Entertainment	108	120	127	6	131	5
Total all items	108	118	124	5	129	5

Annual average, all urban consumers; base (1982) equals 100
Source: Bureau of Labor Statistics

The effects of consumer concern over the economy are starting to have an impact on retail establishments, but so far drug stores are managing to outperform the U.S. retail market, according to the 1990 Nielsen Annual Review of Retail Drug Store Trends.

This adds support to the theory that drug stores may indeed be recession-resistant.

For the first eight months of 1990, total U.S. retail sales were up 4 percent to $1.2 trillion. But retail drug stores managed to overcome the effects of a sluggish economy, with sales jumping 7 percent to $44.2 billion.

It was the industry's strongest growth since 1983, when sales for retail drug stores were up 11.4 percent. Over the past 10 years, there were only three years in which drug store sales growth did not outpace that of the total retail industry.

Chains setting pace

As has been the case for some time now, chain drug stores easily outdistanced independents. For the first eight months of 1990, total chain drug store sales rose 9 percent, compared to 5 percent for all independents.

High-volume independents (stores doing at least $500,000) did much better than their lower-volume counterparts and even exceeded chain drug stores in dollar growth.

Sales for larger-volume independents were up 10 percent to almost $12 billion for the first eight months of this year. Sales for medium-volume independents, on the other hand, were down 6 percent to $3.4 billion while sales for lower-volume independents (annual sales of less than $250,000 a year) were down 10 percent to $1 billion.

H&BA struggles to grow

Even though the drug store industry performed well in a weakened economy, the gains did not come from the traditionally strong health and beauty aids and remedial product categories.

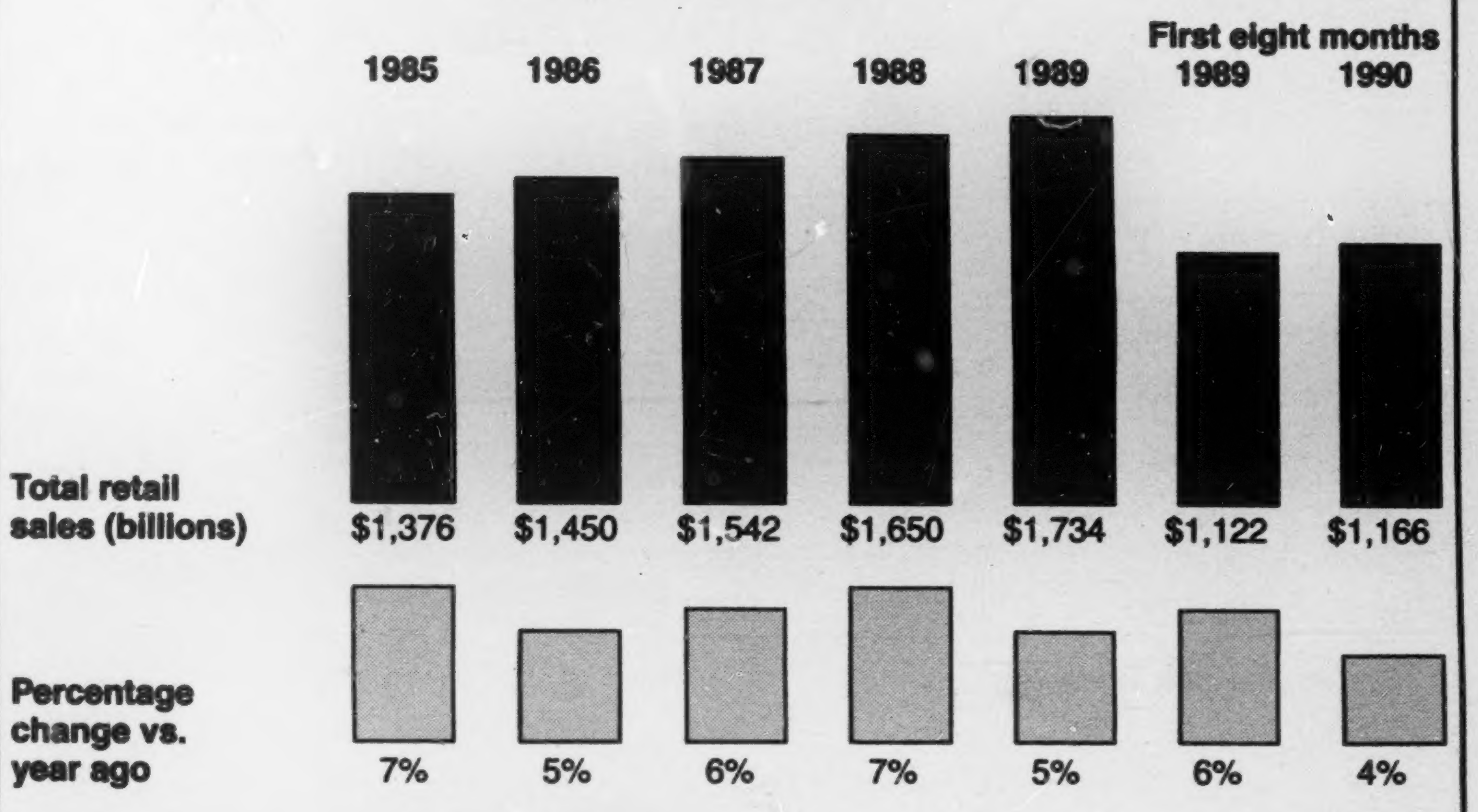
H&BA products account for the second-largest portion of drug store sales after pharmacy, averaging between 15 percent and 20 percent of most chain drug store sales.

For the past few years, however, both chain drug stores and independents have had to struggle to grow these categories, dealing as they are with departments that are close to maturity in their stores, as well as with aggressive competition from other mass-market competitors, in-

Continued on page 60

Retail Sales Trends

(Years ending December 31)



Source: U.S. Bureau of the Census (revised 1990)

Division of U.S. Retail Sales

(Years ending December 31)

	1986	1987	1988	1989	First eight months 1990	Dollar sales percent change '90 vs. '89
Drug and proprietary	3.5%	3.5%	3.5%	3.5%	3.6%	8%
Food stores	20.5	20.1	19.8	20.1	20.8	6
Auto dealers	22.5	22.2	22.5	21.8	22.2	(1)
General merchandise stores	11.7	11.8	11.6	11.7	10.6	5
Eating and drinking	9.6	10.0	10.0	10.0	10.4	5
Gasoline stations	7.0	6.8	6.5	6.7	7.0	6
Hardware and lumber	5.3	5.4	5.5	5.4	5.4	1
Clothing	5.2	5.1	5.1	5.3	4.9	5
Furniture and appliances	5.2	5.1	5.2	5.2	5.1	3
All others	9.5	10.0	10.3	10.3	10.1	7
Total	100.0	100.0	100.0	100.0	100.0	

Source: U.S. Department of Commerce, Bureau of the Census

Real Disposable Income Trends

	Year 1986	1987	1988	1989	**First six months 1989	1990
Disposable income-actual dollars (billions)	$3,013.3	$3,194.7	$3,479.2	$3,725.5	$3,697.3	$3,925.7
Percentage change vs. year ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Consumer price index deflator*	110	114	118	124	123	129
Percentage change vs. year ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Real disposable income-constant dollars (billions)	$2,635.3	$2,670.7	$2,800.5	$2,869.0	$2,854.9	$2,902.8
Percentage change vs. year ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Base year 1982–1984 = 100
**First six months on an annualized basis

Source: U.S. Department of Commerce

NIELSEN REPORT:

H&BA SALES TRENDS

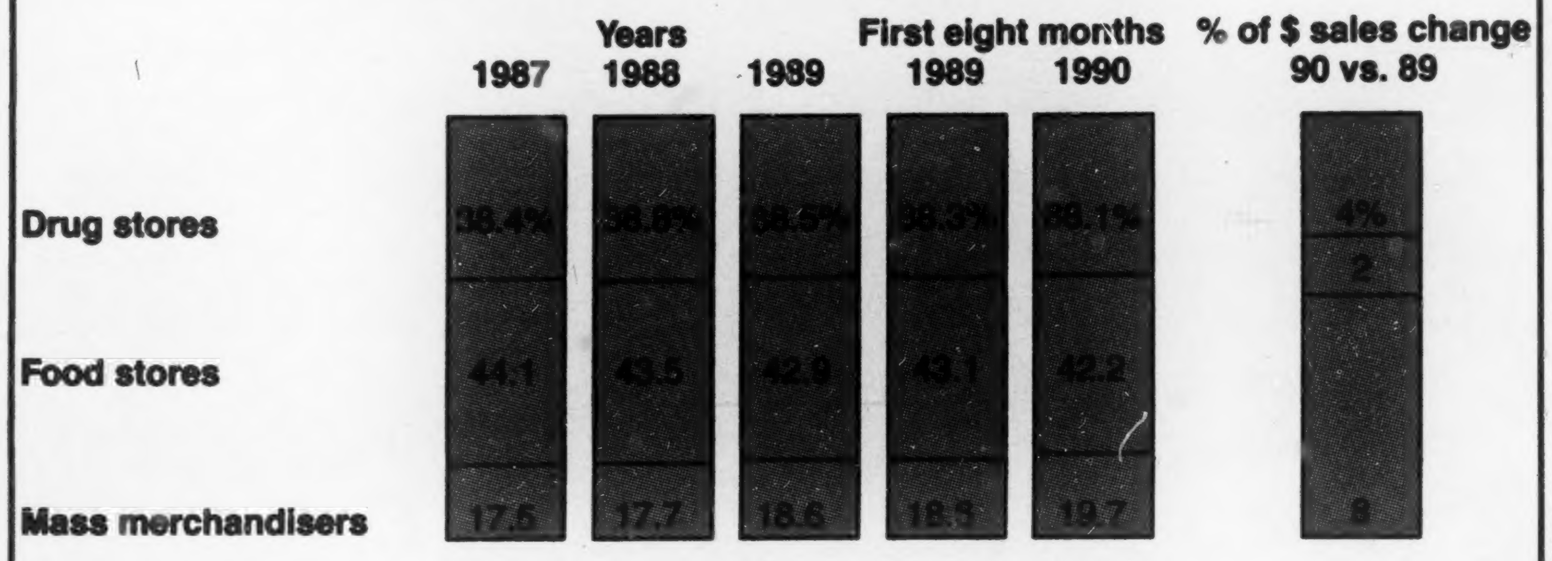
Retail Drug Store Sales

	Dollar sales (millions)	Percentage change	Share of sales
All drug stores			
1985	$47.0	9%	100%
1989	$62.9	9%	100%
1st 8 months 1990	$44.2	7%	100%
Chain drug stores			
1985	$28.2	11%	60%
1989	$39.9	11%	63%
1st 8 months 1990	$28.2	9%	64%
High-volume independents			
1985	$9.9	6%	21%
1989	$16.0	10%	26%
1st 8 months 1990	$11.6	10%	26%
Small- medium-volume independents			
1985	$8.9	(1%)	19%
1989	$7.0	(5%)	11%
1st 8 months 1990	$4.4	(7%)	10%

Source: Nielsen Marketing Research

H&BA Dollar Sales Share Trends

(Drug vs. food vs. mass merchandisers*)



	1987	1988	1989	1989	1990	
Total H&BA sales (Billions)**	$27.9	$29.9	$31.7	$20.9	$21.8	4

*Based on the 66 categories in Nielsen's H&BA Index
**Sales through three mass market outlets
Source: Nielsen Marketing Research

Division of Retail Drug Store Sales by Nielsen Retail Marketing Area

Region	1989 drug store sales (billions)*	% change vs. year ago	1989 share of U.S. sales	Point change vs. year ago	1989 number of households (millions)	Index of drug store sales per household US = 100
New England	$3.7	12%	5.9%	0.2	4.8	113
Metro New York	$3.4	11%	5.4%	0.0	6.0	83
Albany/Buffalo/Syracuse	$2.0	13%	3.1%	0.2	2.6	108
Philadelphia	$2.5	5%	4.0%	(0.2)	3.9	95
Baltimore/Washington	$2.3	9%	3.7%	0.1	3.1	107
Pittsburgh	$1.4	2%	2.3%	(0.1)	2.4	87
Cleveland	$1.7	15%	2.7%	0.1	2.5	98
Detroit/Grand Rapids	$2.6	12%	4.2%	0.1	3.6	107
Indianapolis/Cincinnati/Lexington	$3.0	4%	4.7%	(0.3)	4.1	106
Metro Chicago	$2.4	7%	3.8%	0.0	2.9	120
St. Louis/Peoria	$1.3	9%	2.0%	(0.1)	2.2	85
Kansas City/Omaha/Iowa	$2.0	11%	3.1%	0.0	3.8	76
Minneapolis/Wisconsin	$2.2	5%	3.5%	(0.1)	4.0	80
Denver/Mountains	$1.0	4%	1.7%	0.0	2.1	73
Virginia/Carolinas	$3.2	8%	5.0%	0.0	4.8	96
Florida/South Georgia	$4.3	20%	6.9%	0.7	5.5	115
Georgia/Alabama	$3.3	5%	5.2%	(0.2)	5.5	87
Delta	$2.7	8%	4.2%	(0.1)	4.1	95
Albuquerque/San Antonio/Oklahoma	$1.8	12%	2.9%	0.1	3.8	71
Dallas/Houston	$2.4	4%	3.7%	(0.3)	4.1	84
Southern Calif.	$5.4	8%	8.7%	0.2	6.6	120
Boise/Salt Lake/Phoenix	$1.5	6%	2.4%	(0.2)	2.2	104
Northern Calif.	$4.7	5%	7.5%	(0.3)	4.3	158
Seattle/Portland	$2.1	7%	3.4%	(0.1)	3.0	104
Total U.S.	$62.9	9%	100.0%		91.9	$685

*Year ending Dec. 31
Source: Nielsen Marketing Research, Marketing Statistics

Continued from page 59

cluding combination food-drug stores, deep discount drug stores and mass merchandise-discount department stores like Kmart and Wal-Mart.

And so far, 1990, like last year and the year before that, has not been a great year for drug store H&BA departments.

Dollar and unit sales trends

For the first eight months of 1990, drug stores continued to struggle to sustain growth in almost all the H&BA categories tracked by Nielsen.

Drug store dollar sales for the 66 select H&BA categories tracked were up 4 percent this year, compared to a 5-percent increase for drug stores during the same eight-month period last year.

On the other hand, H&BA dollar sales for mass merchandisers, although they were not up as dramatically as they were last year (when they rose 15 percent), still showed strong overall growth, up 8 percent for the first eight months.

Much of the mass merchandiser growth too was "real" — not attributable to price increases. These discount outlets only took a 3-percent price hike for the first eight months of 1990, and their unit sales, which factors out the presence of inflation, were up 6 percent over the same period last year.

In comparison, unit sales in drug stores for the same 66 H&BA categories were flat, not even as strong as last year when they picked up by 2 percent versus the prior period.

Drug stores and food stores also took a 4-percent price hike on H&BAs, which also gave mass merchandisers, traditionally much lower on everyday prices, another competitive advantage.

Food stores, even though they offer the convenience of one stop shopping, did not generate any real growth in H&BA sales for the first eight months. Their H&BA unit sales were down by 2 percent and dollar sales were only up 2 percent.

H&BA share sales

The food store industry's share of

Continued on page 62

NIELSEN REPORT:

H&BA SALES TRENDS

H&BA Dollar Sales and Share Trends

(Drug chains vs. food chains vs. mass merchandisers)

H&BA Categories	1988* Drug	1989* Drug	1990* Drug	1990* Food	1990 Mass
Early pregnancy test	70.2%	66.8%	64.2%	22.3%	13.5%
Color cosmetics	61.7	60.4	60.6	19.3	20.1
Ethnic hair preps	56.1	58.2	58.6	20.4	21.0
Aftershave lotion/cologne	63.4	60.1	58.4	17.8	23.8
Face creams and lotions	58.1	56.8	57.7	23.7	18.6
Topical hydrocortisones	60.7	58.9	57.3	28.2	14.5
Depilatories	57.8	57.1	56.6	24.8	18.6
Laxatives	58.8	57.2	56.5	28.2	15.3
Foot remedies	58.4	57.1	56.0	29.2	14.8
Vitamins	58.9	56.6	55.5	30.1	14.4
Hair color	53.9	53.3	52.1	19.6	28.3
Suntan lotions & oils	52.9	49.9	50.3	29.4	20.3
Home wave kits	49.7	47.5	46.7	19.0	34.3
Soft contact lens solutions	49.5	46.7	45.2	28.1	26.7
Cold remedies	44.6	43.6	43.3	43.9	12.8
Hand and body lotions	44.3	42.6	42.7	36.8	20.5
Men's hair preps	39.7	39.2	39.1	39.9	21.0
Sinus remedies	37.9	39.5	39.0	46.6	14.4
Feminine douches	38.1	38.2	37.6	39.5	22.9
Internal analgesics	35.7	35.9	36.1	49.1	14.8
After shampoo	36.2	35.2	35.8	41.8	22.4
Toothbrushes	36.6	35.4	34.4	46.5	19.1
Mousse	33.6	31.7	31.8	42.4	25.8
Shaving cream	31.4	30.1	30.4	48.5	21.1
Baby oil	30.7	30.0	30.2	43.2	26.6
Hair fixatives	30.7	30.4	30.1	43.6	26.3
Blades and razors	30.1	29.7	29.5	49.2	21.3
Mouthwash	29.2	28.6	29.1	49.6	21.3
Shampoo	28.5	27.8	28.2	48.8	23.0
Deodorants	27.6	28.1	27.5	48.9	23.6
Sanitary protection	25.7	25.7	25.1	57.3	17.6
Cotton swabs	25.1	26.0	24.7	52.3	23.0
Dentrifice	22.5	22.4	22.7	58.0	19.3
Disposable diapers	10.2	10.1	10.3	70.5	19.2
Total health and beauty aids	38.8	38.2	38.2	42.3	19.5

*Eight months through August 31

Source: Nielsen Marketing Research

H&BA Sales and Price Trends — Drug vs. Food vs. Mass Merchandisers

(Percentage change vs. year ago)

	Dollar sales trends first eight months 1989	Dollar sales trends first eight months 1990	Unit sales trends* first eight months 1989	Unit sales trends* first eight months 1990	Price trends* first eight months 1989	Price trends* first eight months 1990
All three outlets	▇	▆	▃	0%	▅	▄
Drug stores	5	4	2	0	3	4
Food stores	5	2	1	(2)	4	4
Mass merchandisers	15	8	11	6	4	3

Eight months ending August 31
*Weighted by dollar importance of each category
Source: Nielsen Marketing Research

Continued from page 60

H&BA dollar sales was also down for the first eight months of 1990. Their share of H&BA sales dropped from 43.1 percent in 1989 to 42.2 percent for the eight months ending in August 1990.

The most dramatic shifts in dollar sales shares, however, are still occurring between drug and mass merchandise channels.

The mass merchandise industry's 8-percent gain in dollar sales volume boosted them to a 19.7 percent share of the H&BA categories tracked by Nielsen. They were up 1.1 share points versus last year and up 2.8 share points from 1984.

As has been the trend for several years now, drug stores again lost share on H&BA dollar sales. This year, they dropped 0.2 of a point to a 38.1-percent share. In 1984, they had a 40.1-percent share of H&BA dollar sales.

The erosion of the drug store industry's share of H&BA sales is partly the result of mass merchandisers expanding and building up H&BA categories in their stores, and partly the result of everyday low-pricing strategies.

Mass merchandisers are also getting more and more efficient in managing their H&BA inventories. They're able to turn the department almost twice as fast as drug stores can. That too is money in the bank for them.

Category share shifts

When you look at H&BA sales in drug stores on a category-by-category basis, you can see that drug stores are not getting strong dollar growth out of many categories these days. In H&BAs, the greatest growth in dollar sales is coming from mass merchandise outlets.

One indicator of the softening in drug store H&BA sales is the "What's Hot In Drug Stores" chart based on the 66 Nielsen index categories.

Two years ago, there were 25 H&BA categories in the What's Hot chart with sales growth in drug stores of 10 percent or better. Last year, there were only 10 showing strong growth. This year, there are only five, and only one generating dollars sales increases in excess of 15 percent: external analgesics.

But it would be misleading to think that this category only showed such strong growth in drug stores. This has been a good year for external analgesics in all mass outlets.

Food stores generated a dollar sales increase almost as strong as the increase in drug stores, and mass merchandisers had an increase that was 12 percentage points higher than drug stores for analgesics.

Mass merchandisers and food stores also have more H&BA categories showing strong growth than drug stores do. Out of the 23 remedial categories tracked by Nielsen, there were nine that, in mass merchandise stores, had dollar sales increases of 15 percent or better, and 16 with increases of 10 percent or better.

There were two remedial categories that had increases of 15 percent or better in food stores, and six with increases of 10 percent or better.

The growth in toiletries this year has not been as strong as it has been with remedial, but in comparing growth rates between drug, food and mass merchandise stores, the story is still the same. The Kmarts, Wal-Marts and Skaggs/Alpha Betas are getting stronger growth from toiletry categories than drug stores.

In the 37 toiletry categories tracked by Nielsen, the picture for drug stores was sobering. There were no categories that had increases of 15 percent or better, and only one, face creams and lotions, that exceeded a 10-percent increase.

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Drug Store H&BA Sales and Price Trends

(Percentage change vs. year ago)

	Dollar sales trends first eight months 1989	Dollar sales trends first eight months 1990	Unit sales trends* first eight months 1989	Unit sales trends* first eight months 1990	Price trends* first eight months 1989	Price trends* first eight months 1990
Total Nielsen HBA Index Categories	5%	4%	2%	0%	3%	4%
Total Toiletries	5	4	1	1	3	3
Men's products	5	1	0	(4)	6	5
Skin care	8	6	4	3	4	4
Hair care	3	3	0	1	3	2
Oral hygiene	5	5	1	4	3	1
Color cosmetics	3	6	0	1	2	5
Other toiletries	6	4	2	(1)	1	1
Total Remedial	6	3	1	(1)	4	4
Cold/Cough/Flu/Sinus	9	6	4	1	4	4
Analgesics/Digestives	3	2	(1)	(2)	4	4
External Remedies	9	4	4	1	5	4
Paper Goods	6	4	5	(2)	1	6
Selected Sundries	6	0	5	(3)	1	2

* Weighted by dollar importance of each category
Source: Nielsen Marketing Research

NIELSEN REPORT:

H&BA INVENTORY/SALES TRENDS

*H&BA Inventory Trends — Drug Stores**

	Inventory level trends (% change vs. year ago) First eight months		Average annual rate of inventory turns First eight months		Inventory rate of turn[1] (% change vs. year ago) First eight months	
	1989	1990	1989	1990	1989	1990
Total Nielsen H&BA Index	4%	(2%)	4.5	4.6	(2%)	2%
Total Toiletries	3	(3)	3.8	3.9	(2)	3
Men's products	3	(6)	4.4	4.5	(3)	2
Skin care	11	(1)	4.0	4.1	(7)	4
Hair care	2	0	4.5	4.5	(1)	1
Oral hygiene	2	(3)	5.4	5.7	(1)	6
Color cosmetics	2	(3)	2.3	2.4	(2)	4
Other toiletries	1	(5)	2.6	2.7	1	2
Total Remedial	3	(2)	5.1	5.2	(1)	2
Cough/cold/flu/sinus	1	4	5.0	4.8	3	(3)
Analgesics/digestives	2	(6)	5.0	5.3	(3)	5
External remedies	7	2	5.3	5.3	(2)	(1)
Paper goods	4	(1)	6.8	6.7	1	(1)
Selected sundries	13	2	4.9	4.7	(7)	(4)

Based on the 66 categories in Nielsen's HBA index

[1] Weighted by dollar importance of each category

Source: Nielsen Marketing Research

> *Inventory levels for the first eight months of 1990 were down by 2 percent, in contrast to a 4-percent increase for the same period a year ago.*

Drug stores getting more H&BA inventory turns

In the face of intensifying competition for H&BA sales, drug stores have "managed down" their inventory levels. Inventory levels for the first eight months of 1990 were down by 2 percent, in contrast to a 4-percent increase for the same period a year ago, Nielsen research shows.

That trend has created a higher rate of turn versus a year ago, and has helped the industry boost average annual turns from 4.5 a year ago to 4.6 at the end of August this year.

Food and mass merchandise chains also bought conservatively this year. Inventory levels were only up 1 percent for both industries.

However, food stores were a little less efficient at managing their inventories this year. Their rate of turn dropped 3 percent to 9.9 annual turns a year.

Mass merchandisers, on the other hand, continue to get better and better at managing inventories. Their rate of turn was up 5 percent to give them an annual turn on toiletries of 9.9 times a year. This is the first time they have been as efficient as food stores in managing their H&BA inventories, and if the trend continues, they may even be able to outdo food stores next year, and that, considering the traffic food stores generate, would be quite an accomplishment.

H&BA sales growth is a struggle

Continued from page 62

In comparison, food stores had one toiletry category that generated growth of 15 percent, and they had four with growth in excess of 10 percent versus the prior year.

> *Out of the 23 remedial categories tracked by Nielsen, drug stores only had a dollar sales share of 50 percent or better in nine segments. Their share of sales in the past two years had eroded on 19 of the 23 segments.*

Mass merchandisers generated the strongest growth in this segment. They had one category generating a 15-percent increase, and eight doing better than a 10-percent increase over last year.

In only 12 out of 37 select H&BA toiletry categories did drug stores have a 50-percent or greater share of dollar sales. In 28 of those same categories, their share had eroded from what it had been just two years ago. The gains in most cases went to mass merchandise stores.

Out of the 23 remedial categories tracked by Nielsen, drug stores only had a dollar sales share of 50 percent or better in nine segments. Their share of sales in the past two years had eroded on 19 of the 23 segments.

The share shifts and the loss of "hot growth" categories clearly identify a continuing erosion of sales in categories that have traditionally belonged to the drug store industry. So far, drug stores have depended on their convenient locations to offset the price advantage that mass merchandisers hold, but that strategy, by itself, cannot contain erosion.

Drug stores need to find ways to give their customers added values, and the solution may be in providing more and better customer service, a greater variety of product assortment, a better price/value relationship, or finding new departments like video, fast food, or convenience groceries to help generate needed traffic.

H&BA Sales — What's Hot in Drug Stores

(For eight months ending August 1990 vs. eight months ending August 1989)

HOTTEST
(Dollar sales increases greater than 15%)

- External analgesics

HOTTER
(Dollar sales increases between 10% and 15%)

- Face creams and lotions
- Diaper rash creams
- Diarrhea remedies
- Pre-moistened towelettes

HOT
(Dollar sales increases between 5% and 10%)

- Face makeup
- Baby powder
- Foot remedies
- Women's fragrances
- Cough drops
- Suntan lotions & oils
- After shampoo
- Lip makeup
- Dentrifice
- Nail color
- Shampoo
- Sleeping tablets
- Blades & razors
- Toothbrushes
- Cold remedies
- Hand & body lotions
- Vitamins
- Denture cleansers

WARM
(Dollar sales increases between 0% and 5%)

- Sinus remedies
- Internal analgesics
- Sanitary protection

Nielsen HBA Index Average
- Dental floss
- Cough syrup
- Early pregnancy test
- Hair color
- Mouthwash
- Stomach remedies/antacid
- Disposable diapers
- Denture adhesives
- Arthritic remedies
- Baby bath
- Eye drops & lotions
- Eye makeup
- Acne remedies
- Batteries
- Deodorants
- Nasal spray
- Baby lotion
- Laxatives

NOT SO HOT
(No sales growth or sales volume declines)

- Hemorrhoid preparations
- Soft contact lens solutions
- Feminine douches
- Topical hydrocortisones
- Ethnic hair preps
- Aftershave lotion/cologne
- Throat lozenges
- Mousse
- Bath products
- Shaving cream
- Hair fixatives
- Baby oil
- Chapped lip preps
- Depilatories
- Women's contraceptives
- Mens hair preps
- Home wave kits
- Cotton swabs
- Pet flea collars
- Talc/dusting powder
- Insect repellents
- Dieting aids

Source: Nielsen Marketing Research

NIELSEN REPORT:

H&BA INVENTORY TRENDS/SPACE ALLOCATIONS

Dept. store categories get room to grow

Both drug chains and high-volume independents are continuing to devote more shelf space to core department store categories. In 1990, chains gave the greatest increase in space to the face cream and lotion category. New product launches and a growing consumer demand for these kinds of products are driving the growth.

Hair coloring products, hair sprays, hand and body lotions, sun care products and contact lens solutions also got higher-than-average increases.

High-volume independent operators gave their biggest boosts in shelf space allocations to men's toiletries, deodorants, face creams and lotions, sun care products and antacids.

Both chains and high-volume independents cut back on space for vitamins, cold remedies and acne remedies.

Food stores also expanded space for most of the H&BA categories tracked by Nielsen. They gave the biggest increases to deodorants, face creams and lotions, hair coloring, hair sprays, hand and body lotions, oral rinses, and shampoos.

Food chains now allocate more linear shelf space to H&BA items than high-volume independents, and mass merchandisers give this department

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H&BA Inventory Trends — Drug vs. Food vs. Mass Merchandisers*

	Inventory level trends[1] (% change vs. year ago) First six months		Average annual rate of inventory turns First six months		Inventory rate of turn[1] (% change vs. year ago) First six months	
	1989	1990	1989	1990	1989	1990
Three outlets		0 %			1 %	1 %
Drug stores	4%	(2%)	4.5	4.6	(2%)	2%
Food stores	2%	1%	10.3	9.9	0	(3%)
Mass merchandisers	3%	1%	9.3	9.9	8%	5%

*Six months ending June 30, based on the 66 categories in Nielsen's H&BA Index

[1] Weighted by dollar importance of each category

Source: Nielsen Marketing Research

H&BA Linear Measurement Study

(Average linear feet per store[1])

	1990 drug chains	Chng vs. 1989	1990 large indeps	Chng vs. 1989	1990[2] food chains	1990[2] mass merch
Selected toiletry/ beauty products						
Men's toiletries	31.1′	2.1′	22.8′	3.8′	15.0′	28.5′
Creme rinse/conditioner	58.2	NA	20.8	NA	35.0	58.2
Toothpaste	67.9	NA	26.1	NA	58.1	71.5
Deodorant	72.9	0.9	33.6	3.6	57.7	107.6
Face cream/lotion	31.8	7.8	15.5	3.5	14.5	21.9
Hair colorings	74.5	2.5	23.8	(1.2)	25.3	57.7
Hair spray - women's	49.1	5.1	14.7	0.7	28.6	69.2
Hand/body lotion	38.8	4.8	18.9	(0.1)	25.4	44.1
Oral antiseptic rinses	37.3	4.3	12.7	1.7	26.2	55.3
Shaving creams	21.3	0.3	8.5	(0.5)	16.8	24.7
Shampoo	69.1	2.1	28.0	1.0	52.1	82.3
Suntan lotions	36.7	5.7	15.7	2.7	17.5	45.7
Selected remedials						
Acne remedies	18.7	(0.3)	11.8	(0.2)	10.9	16.8
Cold remedies - adult	56.4	(0.6)	31.2	(3.8)	30.0	34.3
Contact lens solutions	45.9	6.9	21.0	NA	14.4	53.4
Contraceptives - male	24.0	NA	11.9	NA	11.8	11.8
Cough syrups/tablets	24.5	3.5	14.9	1.9	15.2	13.0
Diet aids	28.8	NA	11.1	NA	17.6	23.2
Pregnancy test kits	6.5	1.5	3.3	0.3	3.9	5.0
Headache/pain remedies	65.8	0.8	37.0	1.0	35.5	49.6
Laxatives	37.9	1.9	25.2	(0.8)	12.0	24.8
Nasal spray/drops	10.0	1.0	8.1	1.1	7.5	7.1
Antacids	42.5	3.5	26.1	3.1	21.5	31.3
Vitamins	84.0	(5.0)	52.9	(4.1)	39.4	64.5
Selected paper products						
Sanitary protection	93.5	3.5	32.3	1.3	65.6	117.4
Disposable diapers[3]	65.3	8.3	11.6	0.6	70.3	64.3
Department total	2398.3′		970.6′		992.8′	2049.5′

1. As of mid-June 1990
2. Comparisons not available
3. Disposable diapers not included in H&BA department total linear footage

Source: Nielsen Marketing Research

Linear Measurement Study

(Average dollar sales per month per store per linear foot)

	1990 drug chains	Chng vs. 1989	1990 large indeps	Chng vs. 1989	1990* food chains	1990* mass merch
Selected toiletries/ beauty products						
Men's toiletries	$53.18	$0	$16.33	NA	$ 36.32	$ 89.49
Creme rinse/conditioner	23.26	NA	9.26	NA	46.02	53.26
Toothpaste	18.55	0	7.80	−2	54.05	57.76
Deodorant	26.40	2	8.86	−2	55.76	55.60
Face cream/lotion	47.14	−4	22.53	−7	50.09	90.29
Hair colorings	18.77	1	8.75	0	26.48	36.18
Hair spray - women's	17.84	1	9.67	−2	41.38	39.90
Hand/body lotion	27.33	0	13.99	−2	39.99	45.42
Oral antiseptic rinses	25.94	0	14.82	5	65.29	49.79
Shaving creams	12.90	0	6.71	0	25.42	28.32
Shampoo	26.02	2	12.21	−2	62.65	68.84
Suntan lotions	21.85	−2	13.38	−5	34.10	27.38
Selected remedials						
Acne remedies	22.76	3	9.53	−1	38.44	0.00
Cold remedies - adult	44.86	6	22.70	1	85.00	85.13
Contact lens solutions	37.86	−2	15.94	-3	79.18	74.43
Contraceptives - male	27.92	NA	15.64	NA	33.98	39.37
Cough syrups/tablets	51.98	−5	35.66	3	61.30	73.01
Diet aids	14.79	NA	6.87	NA	15.63	21.64
Pregnancy test kits	53.41	−5	24.58	−2	47.68	0.00
Headache/pain remedies	49.89	5	26.93	−1	124.46	109.74
Laxatives	36.13	0	20.87	0	65.71	61.33
Nasal spray/drops	38.11	−1	17.14	−4	49.15	54.55
Antacids	27.46	0	15.15	−4	55.31	56.00
Vitamins	23.54	3	13.85	0	36.14	32.58
Selected paper products						
Sanitary protection	19.50	2	10.86	2	58.66	43.56
Disposable diapers	23.85	1	13.70	0	137.26	178.75

*Comparison not available

Note: Dollar sales based on annual sales volume. 12 months ended June 30, 1990

Source: Nielsen Marketing Research

NIELSEN REPORT:

H&BA SPACE ALLOCATIONS/DRUG STORE MERCHANDISING TRENDS

Shopper Conveniences Offered

	Drug chains	Large indeps	Food chains	Mass merch
Lottery tickets	27%	22%	54%	10%
Open 24 hours	8	*	49	2
Price each item	92	99	18	85
Credit card buy	89	90	23	95
Home delivery	6	77	7	2
Customer service dept.	17	7	84	87

*Less than one percent

Source: Nielsen Marketing Research

Special Departments Offered

	Drug chains	Large indeps	Food chains	Mass merch
Film developing dept.	93%	74%	84%	78%
Video tape rental	10	8	42	21
Magazine center	14	12	30	14
Sell fast food	1	5	86	23
Sit-down eating area	1	5	18	49
Generic products	18	19	67	14
Stock with singular items	15	18	48	12
Stock in single location	2	*	21	3
Optical department	2	*	*	4
Tax consultation	*	4	*	1
Location in shopping center	70	34	66	71

*Less than 1 percent

Source: Nielsen Marketing Research

Status of Scanners in Mass Market Outlets

(Volume of scanning stores as a percentage of outlet business, drug vs. food vs. mass merchandisers)

	1990	1991	1992	1993
Mass merchandisers	75%	78%	80%	90%
Food stores	67	70	73	79
Drug stores	17	32	45	63
Chain drug	25	45	58	70
Large independent drug	4	9	12	20
Small independent drug	0	0	0	0
Deep discount drug	21	35	45	55

Source: Nielsen Marketing Research projections

Share of End Aisle Displays by Department

(End of February 1990)

	Drug chains	Large indeps	Food chains	Mass merch
All product diplays	100.0%	100.0%	100.0%	100.0%
Dry grocery displays	13	8	40	5
Refrigerated food displays	*	*	2	*
H&BA displays	31	34	9	10
General merchandise displays	25	33	10	59
Frozen foods displays	*	*	7	*
Non-foods displays	16	11	16	11
All other displays/combinations	15	14	16	15

* Less than 1 percent
Source: Nielsen Marketing Research

Drug Store Display Strategies

(Average number of displays per store, February 1990)

	Drug chains	Large indeps	Food chains	Mass merch
All end aisle displays	25.8	7.8	24.1	140.6
Dry grocery	4.6	2.1	10.3	9.6
Refrigerated food	*	*	1.9	*
H&BA	8.4	3.1	3.3	13.9
General merchandise	6.9	3.4	3.4	84.7
Frozen foods	*	*	2.7	*
Non-foods	4.7	2.2	4.1	16.8
All other products/combinations	6.8	2.9	6.0	31.7

*Majority of drug and mass merchandise stores do not have refrigerated or frozen equipment.

Source: Nielsen Marketing Research

Continued from page 66

almost as much space as drug chains.

In 1990, mass merchandisers devoted an average of 2,050 linear feet per store to H&BAs, compared to the 2,398 linear feet that drug chains gave the category.

The mass merchandisers also have made a much stronger space commitment to toiletries than they did to remedial products.

Out of the 12 beauty aid segments Nielsen surveyed, mass merchandisers gave eight of them more space than drug chains did. In only three segments — men's toiletries, face creams and lotions and hair coloring — did drug chains have more space allocated than the mass merchandisers.

In the remedial department, however, drug chains gave more shelf space to 11 out of the 12 segments tracked. The only segment given more space by mass merchandise chains was contact lens solutions.

Drug chains, which gave this category 31 linear feet on average, only generated average sales of $53 per store per month.

This year, drug chains do not seem to be getting the dollar sales increases they need to justify space expansion. Although drug chains gave face creams and lotions another 7.8 linear feet in 1990, average sales per linear foot/per store/per month declined $4, to $47.

Linear foot sales were either flat or down for 10 of the 12 toiletry categories measured by Nielsen.

Large independents and food chains, which also increased space for most toiletries, felt the same effect.

Merchandising characteristics

Drug chains spend a lot of money trying to persuade customers that, like traditional neighborhood drug stores, they care about their customers and will go out of their way to provide personalized and courteous service.

In terms of some shopping convenience, they are actually more accommodating than independents. For example, 96 percent of all chain drug stores are open on Sundays, compared to just 54 percent of all independents. And 8 percent are open 24 hours a day, seven days a week compared to less than 1 percent of all independents who offer those hours.

About 90 percent of both drug chains and independents are willing to take credit card purchases, and nine in 10 of both chains and independents still take the time to price every item in their stores. More drug chains than independents, however, give shoppers price comparisons so consumers can get a better sense of how they may be saving money by shopping these stores.

However, chains are nowhere close to rivaling independents when it comes to home deliveries. Seventy-seven percent of all independents provide that service and only 21 percent charge for it. Just 6 percent of all chains do home deliveries and 3 percent charge for it.

More drug chains than independents also offer special departments. For example, 93 percent of chains have a film developing department, compared to 74 percent of all high-volume independents. Seventy percent of all chains stores are also in high traffic shopping center locations, compared to just 34 percent of all high-volume independents.

Scanning

Chain drug stores are also far ahead of high-volume independents in scanning installations. By the end of this year, Nielsen estimates that 25 percent of all chain drug stores and 21 percent of all deep discount chain drug stores will have scanners at the front end, making it even easier for customers to get in and out fast. In contrast, by year's end, Nielsen is estimating that just 4 percent of all large independents will have scanners.

By the end of 1993, Nielsen is projecting that 63 percent of all chain drug stores and 55 percent of all deep discount chain drug stores will have scanners, compared to just 20 percent of all large independents.

At the end of this year, chain drug stores will have narrowed the gap between themselves and food and mass merchandise stores, which are much more heavily into scanning at the front end.

Display strategies

Mass merchandise chains give H&BAs more displays per stores than drug chains do, but as you'd expect, the department's share of display space relative to other categories is much higher in drug stores than it is, or ever could be, in mass merchandise stores.

Drug chains and high-volume independents give one third of their off-shelf display space to H&BAs, making it the most visibly merchandised department in their stores. Chain drug stores have an average of eight H&BA displays per store, while high-volume independents have an average of three.

Chain drug stores and high volume independents also give general merchandise products a high proportion of their display space. Chain drug stores on average give GM 25 percent of their display space and average seven GM displays per store, while high volume independents give it 33 percent of their display space and average three displays per store.

Food stores give H&BA and GM 9 percent and 10 percent, respectively, of their display space, and they average three displays per store on each of these two categories.

SGC stock/bond buyback will ease strain of LBO debt

WOODBRIDGE, N.J. — Supermarkets General Corp. is proposing to buy back $155.5 million of its "junk bonds" and 1.7 million shares of preferred stock as part of a refinancing plan.

Supermarkets will form a new holding company to raise $80 million in capital to pay for the bonds and stocks. SGC said the restructure will save $15.8 million a year in dividend and interest payments and improve its balance sheet.

"This should be viewed as a first step toward unleveraging. We're still highly leveraged. We're still an LBO company in a difficult economic environment," said Harvey Gutman, who was recently promoted to vp-retail development.

Gutman said the refinancing will give SGC more flexibility for capital expenditures.

Spending for store renovations, he said, will exceed $45 million in the fiscal year ending in January, a record level.

Gutman confirmed that SGC recently reported to the Securities and Exchange Commission that operating profit and net worth would soon be in violation of levels required by its lending banks. But he said the refinancing is not a result of that, and was not mandated by the banks, though their approval will be required.

"It's not a step we had to take or need to take," Gutman said. "We've met our obligations in the past, and we will. . . in the future."

Merrill Lynch Capital Partners (which took the company private three years ago), Equitable Life Assurance Society, and Adler & Shaykin, an investment group, are among groups committing equity. They'll receive preferred stock convertible to common shares. The plan will reduce long-term debt, which stood at $1.4 billion in August, by $90 million.

SGC said it will buy its 13⅛ percent subordinated bonds — about half its outstanding bonds — for 27 cents on the dollar, and 25 percent of preferred shares for $5 a share. The offers were said to be significant premiums to recent trading values.

Overall capital spending has dropped sharply since SGC mounted a $1.8-billion LBO three years ago to escape a Haft family raid.

But SGC has maintained that it's stayed aggressively competitive in merchandising and pricing. It also says that a core group of seasoned merchandisers and store operations staff remains in place, though a fair number of top executives have departed in recent months.

Gutman said new store openings have been constrained, not by the LB0, but by an unavailability of real estate. SGC added one Pathmark Drug Store this year.

Financial results. . .

Genovese third quarter: For Genovese Drug Stores (Melville, N.Y.) third quarter ended Nov. 9, sales climbed 3.6 percent to $93.5 million, with income up 64.1 percent to $983,000. For the 40 weeks, income climbed 33.9 percent to $2.8 million, on sales of $318.9 million, an 8.2-percent increase.

Fay's third quarter: Fiscal third-quarter income at Fay's, Inc. (Liverpool, N.Y.) fell 23 percent, to $1.9 million, because of a charge for early debt retirement and a higher tax rate. Revenue rose 18 percent, to $166.5 million; same-store revenue climbed 11 percent.

Medicine Shoppe International's year: This St. Louis, Mo.-based franchise operation posted $2.4 million in net income, up from last year's $2.0 million, on sales of $32.4 million, up from $28.6 million, for the year ended Sept. 30.

Longs' third quarter: Longs Drug Stores (Walnut Creek, Calif.) announced a 10-percent increase in sales ($1.653 billion) and flat earnings ($42.4 million) for the three quarters ended Oct. 25. For the quarter itself, lower gross margins and increased salary and benefits costs caused net income to fall 6 percent, to $12.0 million, on a 9-percent increase in sales, to $556.7 million.

Penney's first quarter: Thrift Drug Co. (Pittsburgh, Pa.) parent J. C. Penney Co. saw net income for its third quarter ended Oct. 27 fall from last year's $209 million to $134 million, on sales of $3.995 billion, down from last year's $4.061 billion.

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Vol. 12, No. 22 Dec. 10, 1990

MARKET DIARY:

Largest Dollar Gainer	Carter-Wallace	$ 6.38
Largest Dollar Loser	Rhone-Poulenc Rorer	$− 4.50
Largest Percentage Gainer	ICN Pharmaceutical	52.38%
Largest Percentage Loser	Perry Drug	−21.57%

Advances	37
Declines	15
Unchanged	5
New highs	1
New lows	4

	Close 11/6/90	Close 11/27/90	Net Change	Percent Change
Drug Store News Index	2812.99	2914.86	101.87	3.62
Dow Jones Industrial Average	2485.15	2543.81	58.66	2.36
Standard & Poor's 500-Stock Index	311.62	318.10	6.48	2.08
N.Y.S.E. Composite	170.21	173.87	3.66	2.15
Value Line Index	184.15	187.60	3.45	1.87

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 11/6/90	Closing Price 11/27/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.00	5.63	0.63	12.50	−281	0.00	0.00	7.56	2.88
OTC	Arbor Drugs	ARBR	15.50	17.00	1.50	9.68	15	0.16	0.94	23.25	13.25
OTC	Big B	BIGB	7.25	6.38	−0.88	−12.07	− 18	0.16	2.51	13.75	4.75
OTC	Drug Emporium	DEMP	7.63	7.50	−0.13	− 1.64	12	0.12	1.60	11.00	6.25
NYS	Fay's Inc.	FAY	7.38	7.50	0.13	1.69	11	0.20	2.67	12.00	7.25
ASE	Genovese Drug	GDX.A	6.00	6.25	0.25	4.17	13	0.24	3.84	10.88	5.63
NYS	Longs Drug Stores	LDG	36.00	34.38	−1.63	− 4.51	11	1.04	3.03	48.50	33.25
OTC	Medicine Shoppe (L)	MSII	17.50	16.75	−0.75	− 4.29	15	0.24	1.43	26.75	15.50
NYS	Perry Drug (L)	PDS	6.38	5.00	−1.38	−21.57	9	0.00	0.00	9.88	4.75
NYS	Rite Aid Corp.	RAD	33.63	34.88	1.25	3.72	17	0.88	2.52	38.63	29.50
NYS	Walgreen Co.	WAG	48.63	49.50	0.88	1.80	17	0.92	1.86	53.25	39.88
Wholesalers' transactions											
ASE	Bergen Brunswig	BBC	24.75	26.88	2.13	8.59	15	0.40	1.49	29.63	20.50
OTC	Bindley Western Ind.	BIND	10.50	10.50	0.00	0.00	15	0.04	0.38	14.25	8.63
OTC	Cardinal Distribution	CDIC	24.00	25.00	1.00	4.17	22	0.08	0.32	25.00	15.88
OTC	Durr-Fillauer	DUFM	25.50	26.13	0.63	2.45	16	0.28	1.07	27.00	19.50
ASE	Ketchum	KCH	1.75	1.50	−0.25	−14.29	− 1	0.00	0.00	5.13	1.50
NYS	McKesson Corp.	MCK	28.13	29.88	1.75	6.22	13	1.60	5.36	38.38	26.88
ASE	Moore Medical	MMD	4.00	5.00	1.00	25.00	− 6	0.00	0.00	10.25	3.50
NYS	Owens & Minor	OMI	12.50	14.13	1.63	13.00	19	0.24	1.70	14.63	10.63
Manufacturers' transactions											
NYS	Abbott Labs	ABT	40.63	42.50	1.88	4.62	20	0.84	1.98	45.63	31.25
NYS	American Home Products	AHP	49.00	52.00	3.00	6.12	14	2.12	4.08	55.13	43.00
NYS	Baxter International	BAX	26.25	27.00	0.75	2.86	− 93	0.64	2.37	27.50	20.50
OTC	Block Drugs Co.	BLOCA	33.75	33.50	−0.25	− 0.74	12	0.80	2.39	38.00	30.50
ASE	Bolar Pharmaceutical (L)	BLR	2.88	4.00	1.13	39.13	− 3	0.04	1.00	19.00	1.88
NYS	Bristol-Myers Squibb	BMY	60.75	63.50	2.75	4.53	35	2.12	3.34	65.88	50.50
NYS	Carter-Wallace	CAR	47.00	53.38	6.38	13.56	16	0.92	1.72	60.50	44.88
ASE	Columbia Labs	COB	5.75	5.00	−0.75	−13.04	− 4	0.00	0.00	17.88	3.63
ASE	Forest Labs	FRX	45.00	44.50	−0.50	− 1.11	27	0.00	0.00	48.38	33.63
ASE	Halsey Drug	HDG	2.50	2.25	−0.25	−10.00	225	0.00	0.00	6.94	2.13
NYS	ICN Pharmaceutical	ICN	2.63	4.00	1.38	52.38	0	0.00	0.00	5.75	2.50
ASE	Lee Pharmaceutical	LPH	1.25	1.25	0.00	0.00	− 4	0.00	0.00	2.75	1.25
ASE	P. Leiner Nutrition	PLI	7.38	7.50	0.13	1.69	9	0.00	0.00	12.63	6.75
NYS	Eli Lilly Co.	LLY	68.88	73.38	4.50	6.53	20	1.64	2.24	90.38	58.75
NYS	Marion Labs	MKC	32.00	32.63	0.63	1.95	23	0.80	2.45	36.00	21.00
NYS	Merck Co.	MRK	79.25	85.13	5.88	7.41	20	2.24	2.63	91.13	67.00
NYS	Mylan Labs	MYL	16.75	20.00	3.25	19.40	22	0.20	1.00	25.38	13.75
NYS	Par Pharmaceutical	PRX	4.13	4.13	0.00	0.00	− 4	0.00	0.00	8.25	3.38
NYS	Pfizer Inc. (H)	PFE	75.25	79.00	3.75	4.98	18	2.40	3.04	79.50	54.50
NYS	Rhone-Poulenc Rorer	RPR	65.88	61.38	−4.50	− 6.83	− 39	0.84	1.37	78.25	43.50
NYS	Schering Plough	SGP	45.13	45.50	0.38	0.83	19	1.12	2.46	50.75	37.00
NYS	Syntex Corp.	SYN	55.63	58.75	3.13	5.62	19	1.60	2.72	63.75	46.38
OTC	Taro-Vit Industries	TAROF	2.50	2.38	−0.13	− 5.00	− 40	0.00	0.00	2.88	0.88
NYS	Upjohn Co.	UPJ	36.25	35.88	−0.38	− 1.03	19	1.00	2.79	44.63	33.00
NYS	Warner-Lambert	WLA	64.00	66.38	2.38	3.71	19	1.52	2.29	70.13	49.63
OTC	Zenith Labs	ZENL	6.50	6.50	0.00	0.00	0	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's	ABS	32.88	33.00	0.13	0.38	21	0.48	1.45	37.63	24.38
NYS	American Stores	ASC	44.88	48.00	3.13	6.96	12	1.12	2.33	71.50	42.63
NYS	Giant Food	GFS.A	23.88	25.63	1.75	7.33	13	0.60	2.34	29.88	21.13
NYS	Great Atlantic&Pacific Tea (L)	GAP	43.00	39.63	−3.38	− 7.85	10	0.80	2.02	65.38	37.75
NYS	Kmart	KM	26.38	26.25	−0.13	− 0.47	16	1.72	6.55	37.25	23.38
NYS	Kroger	KR	12.25	12.25	0.00	0.00	47	0.00	0.00	17.00	10.63
NYS	Melville Corp.	MES	36.88	39.38	2.50	6.78	11	1.40	3.56	57.75	32.75
OTC	Fred Meyer	MEYR	11.50	11.75	0.25	2.17	− 56	0.00	0.00	19.00	10.00
NYS	Penney, JC	JCP	42.13	42.50	0.38	0.89	7	2.64	6.21	75.63	37.38
NYS	Safeway	SWY	11.25	12.25	1.00	8.89	31	0.00	0.00	16.88	10.25
NYS	Smith's Food & Drug	SFD	26.63	27.50	0.88	3.29	21	0.28	1.02	34.50	21.63
NYS	Wal-Mart	WMT	27.75	29.38	1.63	5.86	27	0.12	0.41	36.75	20.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

DRUG STORE NEWS®
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PHARMACIST EDITION
Second Class
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Retail pharmacy is a whole new ballgame

By James Frederick

Less than a generation ago, a pharmacy school graduate had a pretty simple choice about where to launch his or her professional career. Practice settings were easy to distinguish: drug stores — both chain and independent — as well as hospitals, professional pharmacies or mail-order houses.

Supermarket chains with in-store pharmacies were options for a brave few. Often, that meant staffing a low-key operation that snagged a few prescription customers from the grocery aisles.

Oh, how times have changed.

For their part, most shoppers 15 or 20 years ago refused to consider a supermarket or a discount store for something as specialized and professional as pharmacy services. Independent drug store operators fretted about the growing power of the drug chains, but neither side focused too much on the massive societal shifts and competitive forces that were building inexorably outside their own industry. They felt, as did most consumers at the time, that supermarkets and other upstarts in retail pharmacy could never duplicate the professionalism and level of trust that accrued to drug stores. It was, most industry experts said, an inviolable franchise.

Fast-forward to 1990, and the whole landscape has shifted. Entire new trade classes have emerged as powerful retail forces — witness deep discount drug stores and

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Inside Pharmacy
☆ SPECIAL ☆
☆ REPORT ☆

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FEATURE

Getting pharmacists involved in community projects helps Hannaford Bros. achieve success in recruitment. **20**

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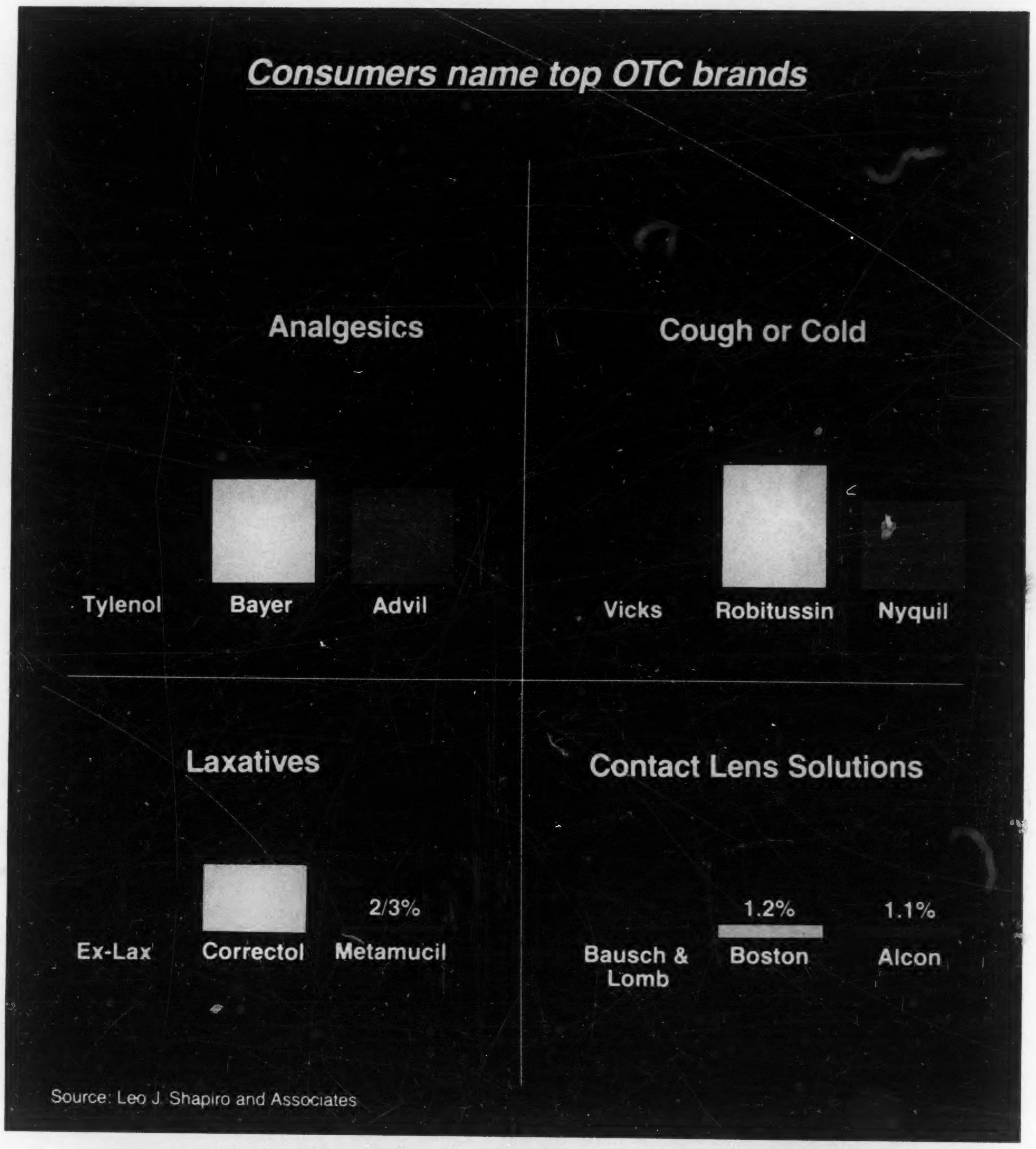

Source: Leo J. Shapiro and Associates

Brand loyalty doesn't mean store loyalty: study

By Harold Cohen, R.Ph.

Consumers continue to shop traditional drug stores for most of their over-the-counter product needs, but the growing attention being given to those products by nontraditional outlets is giving drug stores a run for consumers' money.

According to *Drug Store News*' Second Annual Consumer Brand Preference Study, conducted by Leo J. Shapiro and Associates, shoppers are very brand loyal when it comes to OTC products (82 to 99 percent prefer a brand, depending on category). But that loyalty doesn't extend to where they purchase those brands. The product categories studied were: cough and cold, eye and lens care, analgesics, dental and laxatives.

Continued on page IP13

Drug stores choice outlets for consumer analgesic purchases

As a therapeutic category, analgesics is one of the most heavily shopped by consumers. The reason: They know that they can get quick and inexpensive relief from everything from a simple headache to the pain of chronic arthritis.

According to the *Drug Store News Consumer Brand Preference Study,* 93 percent of the consumers surveyed said they purchased an analgesic product within the last 12 months.

Until fairly recently, OTC shoppers had only two basic products from which to choose, aspirin and acetaminophin. While there are many brands of both drugs on the market, the Bayer brand of aspirin and the Tylenol brand of acetaminophin perenially top the list of consumer preferences. In this year's consumer study, Tylenol was overwhelmingly preferred in the pain relief category (42.7 percent).

But over the past several years, the choice has been broadened by the addition of a third major pain reliever, ibuprofen. Ibuprofin was once available by prescription only. When it was approved for over-the-counter sale, it took the market by storm, spawning at least a half-dozen new branded products. Because ibuprofen was a prescription-only analgesic obtained only through a visit to a doctor, drug stores have had an advantage because of their association in consumers' minds with professionalism. But that advantage may be eroding as supermarkets, discounters and others increase the professionalism of their own pharmacy departments.

But for now, drug stores retain their lead. Thirty-seven percent of consumers said they had made their last analgesic purchase in a drug store, compared to 30 percent in a food store and 22 percent in a discount department store.

While the introduction of ibuprofen was a boost to the category as a whole, the reality was that it was just another type of analgesic for consumers to choose. Therefore, manufacturers, eager to grab their share of the pain reliever market, have marketed their products toward specific problem areas, such as menstrual cramps, headaches, backaches and arthritis.

As popular as the analgesic category might be among consumers, the wide choice of aspirin, acetaminophen and ibuprofen products on the market have led consumers not to be particularly brand loyal. According the survey, 65.5 percent said they would switch to another brand if their preferred brand was out of stock.

The trend towards little brand loyalty spills over to sales of store brands. According to the survey almost 7 percent of the consumers said they had purchased a store brand in their last shopping visit for analgesics. That percentage is high among other OTC categories, and is accounted for, among other things, by consumer willingness to buy nonbranded aspirin.

While price may not be a commanding reason driving consumers to purchase on analgesic brand over another, convenience seems to be a key reason consumers buy most of their analgesic products in a drug store. Long hours, a desire for quick relief from their pain, and the availability of a pharmacist to answer any medical questions adds to consumers' preference for purchasing analagesics in a drug store.

Consumer Preferences: Analgesics

	Total	North-east	Mid-west	South	West
Tylenol	42.7%	41.9%	38.6%	43.0%	48.0%
Bayer	11.5	9.3	13.3	12.5	9.8
Advil	10.6	10.7	11.2	9.9	10.8
Generic	5.2	4.2	8.4	3.9	4.4
Anacin	3.2	5.6	3.2	3.3	.5

Leo J. Shapiro and Associates

Drug stores benefit from complex cough-cold choices

Consumer Preferences: Cough or Cold Medicine

	Total	North-east	Mid-west	South	West
Vicks	14.0%	13.5%	11.2%	15.5%	15.2%
Robitussin	13.5	16.7	13.7	13.7	9.3
Nyquil/Nyquil Junior	9.8	8.4	7.6	10.7	12.3
Triaminic	5.3	5.6	4.8	3.9	7.8
Alka Seltzer/ Alka Seltzer Plus	3.0	2.3	4.4	2.7	2.5

Source: Leo J. Shapiro and Associates

Introduction of new products and frequent line extensions have given consumers a plethora of choices within the highly competitive cough and cold category. Because of the wide assortment and the crossover of product categories such as allergy and colds, it's often difficult for a consumer to pick one brand over another.

But the very complexity of choice has worked to the benefit of drug stores. *Drug Store News'* Second Annual Consumer Brand Preference study found that more than two out of five consumers (41.3 percent) prefer to purchase their cough and cold products in a drug store.

Besides the convenient location of the typical drug store, pharmacists are nearly always close at hand to answer questions about one product or another.

The cough-cold category is one of the few H&BA categories in which drug stores have managed to remain dominant in the face of increasing competition from supermarkets and discount stores.

In the survey, 22 percent of consumers said they had made their last purchase of a cough or cold product in a food store and only 15 percent in a discount department store. That means that consumers' preference for purchasing cough-cold products in drug stores

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Brand loyalty doesn't mean store loyalty: study

Continued from page IP1

Although drug stores continue to get the lion's share of consumers' OTC purchases, the frequency of shopping trips made to other outlets, especially food stores, has helped erode drug store dominance, especially in the highly promotable categories that do not rely on pharmacists' recommendations.

For example, the study shows that consumers purchase most of their eye and lens care products from drug stores, whereas they make most of their toothpaste purchases in a food store.

Given the non-specificity of consumers' OTC shopping habits, drug stores will have to work harder to hold back the erosion of OTC customers. To maintain a competitive edge, buyers and store managers will have to pay closer attention to what drives consumers to purchase certain brands.

Probably the single largest factor in getting consumers to initially purchase one brand over another is advertising. But once that brand is purchased, how the product performs becomes of paramount importance and is almost always the reason for repeat purchases.

Price not overriding purchase rationale

The study shows that price isn't the overriding reason for choosing a brand. In fact, looking at the OTC categories surveyed, the study shows that while approximately 30 percent of the drug store purchases were made at a promotional price point, consumers often bought merchandise not on sale even though they were aware it was on sale in another store. This was particularly noted in the case of laxatives.

As with most product categories, consumers who purchase OTC products relate brand names with therapeutic categories. For example, if consumers are asked what brand of aspirin they would most likely purchase, the answer may be Bayer. But when asked what analgesic they most purchase, the more likely answer is Tylenol. Whereas Bayer is thought of as an all-encompassing name for any aspirin product, Tylenol is often thought of as any nonaspirin-containing product.

Another factor in determining consumer brand preference is word of mouth. As might be expected, recommendations from doctors and pharmacists runs high on the list of factors that drive consumers to one brand over another. Recommendations from relatives and friends is another important source.

Pharmacists' recommendations, creative signage, good price points and store-wide advertising of certain products give retailers some control over getting consumers into their stores to purchase their favorite brands, but retailers have little control over maintaining customer loyalty to one brand or another. However, one sure way of driving business away is not to have consumers' favorite brands on their shelf.

With brand loyalty of OTC products so high, retailers must pay close attention to consumers' brand preferences and use anything in their power to get consumers to shop in their stores for those brands. If they don't, competitors eager to satisfy customers' needs will.

Another factor in consumers' changing buying habits is the way a product is portrayed in advertising. At one time it was common for some pharmaceutical companies to add the tag line "ask your pharmacist" to their TV and radio spots for OTC drug products. But as food and discount stores delved deeper into the OTC business, manufacturers, looking to expand markets for their products, dropped the specific reference to the pharmacist or drug store. After years of conditioning to shop for these items in a drug store, today's consumers are showing little reluctance to purchasing these same products in nontraditional outlets.

Counterpart loyalty

A strong loyalty to prescription counterparts of many OTC-switched products is another reason consumers still prefer to shop in a drug store. This is particularly true for cough-cold and analgesics. For example, Motrin, once available only on prescription, and therefore only in pharmacies, is still perceived by many consumers as a "drug store item." The same is true for products like Actifed, Benadryl and Dimetapp in the cough-cold category.

But because a consumer has a strong preference for one brand over another is no assurance they won't readily switch if that brand is not available. The study showed that if a favorite brand were out of stock, between 41 percent to 79 percent of the shoppers surveyed were likely to switch, depending on the category. While this is true in categories like cough-cold and analgesics, where ingredients in several brands are nearly identical, it does not hold for a category like eye/lens care, where physicians' recommendations keep brand loyalty very high.

Consumer Preferences: Toothpaste

	Total	North-east	Mid-west	South	West
Crest	42.7%	38.6%	44.6%	39.1%	50.5%
Colgate	26.5	31.2	23.3	27.8	23.5
Aqua Fresh	6.2	8.4	5.6	5.4	5.9
Aim	4.6	7.0	5.2	3.3	3.4
Close-Up	4.4	1.4	4.4	7.8	2.0

Source: Leo J. Shapiro and Associates

Food units give oral care squeeze

Food stores continue to put the squeeze on drug stores in the toothpaste and mouthwash categories, according to *Drug Store News's* latest Consumer Brands Preference Study. Forty-four percent of consumers buy their toothpaste and 35 percent their mouthwash products from food stores, the study found.

That compares to drug stores' 25-percent share of consumer purchases in toothpaste and 27 percent in mouthwashes. Drug stores, in fact, have about the same share as discount department stores when it comes to purchases in these two dental categories.

The reason for this disparity between food stores and drug stores is, of course, the one-stop shopping convenience offered by supermarkets. Toothpastes and rinses are products automatically added to weekly shopping lists. Consumers perceive them as commodities for the home cabinet, like flour, sugar or milk.

Although consumers have strong brand preferences in this category, they are not brand loyal when it comes to toothpaste. They buy to fill the need. Should the retailer not have their preferred brand, most will switch.

Seventy-seven percent said they would buy an alternative if their preferred brand was out of stock, and this often means that the switch brand becomes their first choice at the time of their next purchase. Nor are they particularly brand-loyal towards mouthwashes. Seventy-three percent said they would switch if their favorite brand were not available.

In addition, toothpaste and mouthwashes are among the most price-sensitive of all H&BA categories. Thirty-nine percent of consumers said they made their last purchase of toothpaste on sale, and 40 percent said their purchase of mouthwash was on sale. Among all the 28 categories tracked in Shapiro's consumer research, only batteries, shaving cream, deodorants, pantyhouse, deodorants and several hair care categories scored higher in the price-sensitivity area — and then not by much.

Crest (42.7 percent) and Colgate (26.5 percent) completely dominate the market in consumer preference, while other brands, such as Aqua Fresh, Aim and Close-Up, reported in with single-digit percentage preferences. Among mouthwash preferences, Scope (26 percent) and Listerine (25 percent) were virtually even. Plax, the brand that helped establish the anti-plaque subcategory among mouthwashes, was third with 7 percent.

Rinses, enjoying little growth the past few years, has steady sales due to its standing customer base. Its use is more of a personal decision, rather than a necessity, like toothpaste. The market is sensitive to advertising, and manufacturers will go to great lengths to help consumers identify their product in the stores.

Consumer Preferences: Mouthwash/rinse

	Total	North-east	Mid-west	South	West
Scope	26.1%	20.9%	31.3%	27.5%	23.0%
Listerine	25.3	23.7	18.9	30.7	26.0
Plax	7.3	9.8	6.8	6.6	6.4
Listermint	4.4	5.6	3.6	3.9	4.9

Source: Leo J. Shapiro and Associates

Lens care scores high in brand loyalty

When it comes to brand loyalty among OTC products, the contact lens care category has one of the highest. According to the survey, more than half of the shoppers polled said they would not switch if their brand of contact lens solution were not in stock.

A major reason for the high brand loyalty is physician recommendations. It is common for doctors who fit a person for contact lenses for the first time to give a "starter pack" containing one particular brand of saline, cleaning and disinfecting solution. In most cases, consumers will stay with that brand until they become comfortable with the daily or weekly routine of cleaning and disinfecting their lenses. Some industry observers say that switching is not likely to take place for about a year.

The strong link between physician recommendations and brand loyalty also accounts for the fact that most shoppers purchase their contact lens solutions in a drug store, which is perceived by most shoppers as a more "professional" environment.

According to the study, 40 percent of those surveyed said they made their most recent purchase of contact lens solution in a drug store, compared to 34 percent in a discount department store and 19 percent in a food store.

When it comes to contact lens solutions, patients will generally purchase three different kinds: saline, disinfecting and cleaning. Furthermore, the category is divided among three major groups of lenses: soft, RGP (rigid gas permeable), and hard.

When customers were asked which brand of contact lens solution they most prefer, there was no question. High honors went to Bausch & Lomb, with 37.1 percent of the those who actually purchased contact lens solution in the past year naming B&L as the brand they bought.

The second highest preference was for Boston solutions. One of the reasons for a lower score for Boston solutions is that they are targeted to specifically to the RGP lens wearer, of which there are fewer.

Consumer Preferences: Contact Lens Solutions

	Total	North-east	Mid-west	South	West
Bausch & Lomb	6.9%	6.5%	8.8%	6.9%	4.9%
Boston	1.2	1.4	1.6	1.2	.5
Alcon	1.1	.9	.4	.9	2.5

Source: Leo J. Shapiro and Associates

Consumers name their favorite brands

(Shoppers were asked:
If you were buying a product
in a particular category,
which brand would you buy?)

Analgesics
Tylenol
Bayer
Advil

Contact lens solution
Bausch & Lomb
Boston
Alcon

Cough or cold medicine
Vicks
Robitussin
Nyquil

Laxatives
Ex-Lax
Correctol
Metamucil

Mouthwash/rinse
Scope
Listerine
Plax

Toothpaste
Crest
Colgate
Aqua Fresh

Source: Leo J. Shapiro and Associates

Consumer Preferences: Laxatives

	Total	North-east	Mid-west	South	West
ExLax	8.6%	4.7%	10.8%	9.3%	8.8%
Correctol	5.5	4.7	5.6	7.2	3.4
Metamucil	2.3	1.9	2.8	3.0	1.0

Source: Leo J. Shapiro and Associates

Laxatives: Because they work

Ease of use, efficacy, advertising. Those are the major factors that drive consumers to purchase one brand of laxative over another.

Therefore, it's no surprise that the two top brands chosen by the shoppers in *Drug Store News'* Consumer Brands Preference Study are both in tablet form — Ex Lax and Correctol. In a survey of 1,003 consumers nationwide, 8.6 percent picked Ex Lax as their No. 1 laxative brand, while 5.5 percent chose Correctol. The percentages are low because 72 percent of the shoppers surveyed said they never buy laxatives.

Sales of Metamucil, a bulk fiber laxative, have benefitted from health awareness programs centering around the dangers of high cholesterol and colon cancer. Metamucil was chosen as the favorite brand of laxative by just over 2 percent of the sample.

Although the survey showed that most of the shoppers purchased their last brand of laxative in a drug store (46.5 percent), the number of individuals who shop for laxatives in all other outlets was 50 percent. That includes 27.7 percent for food stores and 22.1 percent for discount department stores.

As with contact lens solutions, price was not an overriding consideration in shopper decisions to purchase one brand over another. Over half of the shoppers said they did not purchase their favorite brand of laxative on sale or at a price less then it usually costs.

Drug stores benefit from complex cough-cold choices

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was greater than for supermarkets and discount stores combined.

Drug stores benefit not only from convenient locations and the presence of the traditional community pharmacist, but also from their breadth of product line. Still, in most combination food-drug stores, broad cough-cold assortments have become the norm (depth has always been a strength), and, as Nielsen has found, the drug store market share erosion continues, even in this once-solidly drug store category.

While most consumers have a definine brand preference in this category, brand loyalty is relatively low. Most of the time, consumers need a cough or cold product immediately and when their preferred brand is out of stock, they're willing to listen to a pharmacist about the benefits of a substitute. According to the survey, 71.1 percent said they would buy another brand if their preferred product was not to be found.

Familiar brand names dominate the cough and cold preference rankings: Vicks, Robitussin, Nyquil, Triaminic, Dimetapp, Alka Seltzer, Tylenol and Contac were the brands garnering at least 3 percent of consumer preferences. All of the brands are heavily advertised. With the exception of the Vicks products, which in many consumers' minds are synonymous with the treatment of coughs and colds, the other two top brands fall into specific subcategories — Robitussin for cough and Nyquil for nighttime treatment of colds.

Because so many cough-cold products are formulated with several active ingredients, the study showed that consumers are wary about purchasing private label products. Only 2 percent of the respondents said their last cough or cold purchase had been a store brand.

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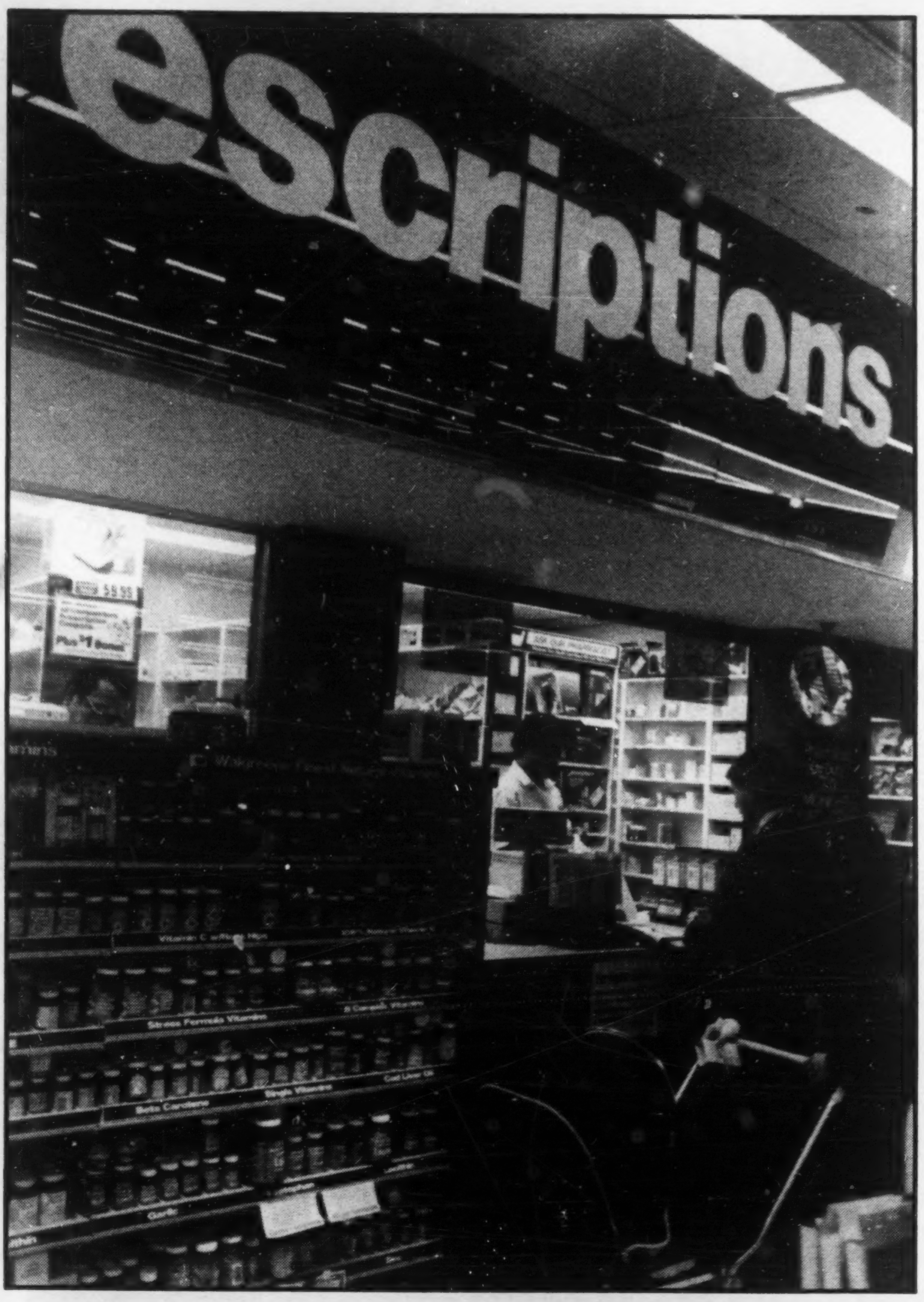

Pharmacy is the fastest-growing part of Walgreen's business, and prescriptions are the biggest single sales component.

Walgreen Rx $ top U.S. retail pharmacy market

DEERFIELD, Ill. — When Walgreen Co. describes itself as "the strongest pharmacy franchise in America," its executives aren't indulging in hyperbole.

The chain's 1,543 pharmacies coast-to-coast racked up $2 billion in prescription sales in fiscal 1990 — that works out to well over $1 million in Rx sales per store — and accounted for 6 percent of all retail prescriptions sold in the U.S.

For the ninth straight year, Walgreens' pharmacy sales were up more than 20 percent for the year. Chairman Charles R. Walgreen III calls pharmacy "the fastest- and most consistently growing part of our business"; with a full third of total company sales, prescriptions are also the biggest single sales component, by far.

For a drug chain whose stores carry everything from frozen foods to household chemicals, prestige fragrances and camera

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Retail pharmacy a whole new ballgame

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wholesale clubs. Supermarket chains *en masse* have poured their best resources and marketing efforts into glitzy, supersized combo stores that deliver not only full-service pharmacies, but complete drug stores alongside a vast array of food and non-food departments in a one-stop shopping powerhouse. Wal-Mart, which hardly existed two decades ago, is churning up small and mid-sized markets across the country and already has more than 1,000 pharmacies in operation.

For both pharmacists and pharmacy customers, the choices of where to work and where to shop have exploded. Drug stores, in particular independents but also including chain operations, are scrambling to maintain their traditional lead in the battle for pharmacists to staff their prescription departments, as well as the customers to shop them.

Gone are the days when food and discount store druggists had to overcome big obstacles to win the trust of customers. "We're over that hurdle as an industry," said Harvey Durand, group vp for drug and general merchandise at Vons, earlier this year.

"We've already got an advantage over the drug stores in convenience," he added. "If we can outperform them in service and price, we've got the business."

That realization has been central to the efforts of mass merchandisers — including

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Pharmacy competition escalates in drug, food and discount chains

Chains	Pharmacies	Total drug retail outlets	Total sales	Total Rx filled	% paid by 3rd party
1 Rite Aid	2,315	2,401	$1.3 bil[1]	64 mil[1]	45%
2 Eckerd	1,680	1,680	1.2 bil[2]	70 mil[2]	—
3 Walgreens	1,543	1,579	2.0 bil[3]	—	—
4 Kmart	1,200	2,300	—	—	—
5 CVS[4]	1,137	1,350	—	—	—
6 Revco	1,119	1,137	756 mil[5]	68 mil[5]	31
7 Wal-Mart	1,075	1,503	1.0 bil	—	—
8 Hook-SupeRx	977	1,083	—	—	—
9 Medicine Shoppe	858	858	475 mil	25 mil	28
10 American	674[6]	678[6]	—	—	—
11 Thrifty	655	656	—	—	—
12 Shoppers Drug Mart	637	637	—	25 mil	—
13 Thrift	490	490	—	—	—
14 Kroger	488	1005	—	17 mil[7]	—
15 Safeway, Inc.	325	1108	—	—	—
15 Big B	325	328	200 mil[8]	10 mil[8]	25
17 Pay Less	320	320	—	—	—
18 Reliable Drug	263	265	180 mil	—	30
19 Longs	256	256	—	—	—
20 Albertson's	254	525	—	—	—
21 Perry	228	228	200 mil[9]	12 mil[9]	66
22 Phar-Mor	214	214	—	—	—
23 Drug Emporium	200	200	—	—	—
24 Fay's	190	190	—	—	—
25 SGC-Pathmark	178[10]	178	—	—	—
26 Jean Coutu	175	175	—	—	—
27 K&B	160	161	—	—	—
28 Medi-Save	116	120	—	—	—
29 Harco	114	114	—	—	36
30 Lucky	111	412	—	—	—
31 Pharma Plus	108	108	—	—	60
32 Big V	107	107	343 mil[11]	—	—
32 Arbor	107	107	141 mil[12]	—	60
34 Giant Food	102	152	—	—	—
34 Super D	102	102	—	—	—
36 Shopko	101	104	—	—	—
37 Fred Meyer	99	126	—	—	—
38 Vons	96	321	—	—	—
39 Genovese	96[13]	96[13]	125 mil	—	—
40 F&M	95	95	—	—	—
41 Kerr	93	93	—	—	28
42 Smith Mgt.	92	96	90 mil	4 mil	41
43 Wakefern[14]	89	110	—	—	—
44 H.E. Butt	87	152	—	—	—
45 Skaggs Alpha Beta	81	81	—	—	—
46 SupeRx[15]	77	83	—	—	—
47 King Soopers	64	66	—	—	40
47 Apple Tree	64	98	—	—	32
49 LaVerdiere's	61	65	—	—	25
49 Snyder	61	62	58 mil	3 mil	42

1. Rite Aid fiscal year ending March 1990
2. Eckerd fiscal year ending Feb. 1990
3. Walgreens fiscal year ending Aug. 1990
4. Includes Peoples
5. Revco fiscal year ending June 1, 1990 (1800 stores)
6. Includes 144 Jewel Oscos with pharmacies
7. Kroger fiscal year ending Dec. 30, 1989
8. Big B fiscal year ending July 1990
9. Perry fiscal year ending Oct. 31, 1989
10. Includes 32 freestanding drug stores and 146 food store pharmacies
11. Big V fiscal year ending Sept. 1990
12. Arbor fiscal year ending July 31, 1990
13. Includes two Great American deep discount stores
14. Includes Motts, Big V, Foodarama, Village, and other independents
15. Includes Medicare-Glaser only

Source: Drug Store News/Inside Pharmacy research

Wal-Mart brings its strengths to bear on pharmacy

BENTONVILLE, Ark. — Which competitor are you most concerned about these days? If you said Wal-Mart, you're not alone.

The $26 billion retail juggernaut out of America's heartland is still sending tremors into dozens of new markets, from Texas and Florida in the south to Wisconsin and New York in the north, and coast-to-coast from Maine to California. No retailer that deals in food, drug or general merchandise — including the nation's drug stores — is immune from the competition.

pharmacy
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Wal-Mart's 1,075 pharmacies will generate more than $1 billion in prescription sales this year.

Many retail pharmacies have already felt the heat. It may surprise some to know that Wal-Mart is already one of the nation's biggest retailers of prescription drugs. Its 1,075 in-store pharmacies will generate well in excess of $1 billion in prescription sales this year, business that once went to drug stores and other pharmacy competitors.

Wal-Mart has scored big gains in prescription sales by applying the same winning formula to pharmacy that it has applied to its other businesses. That strategy — combining aggressive buying and dealmaking with low everyday prices and high levels of customer service and satisfaction, in huge, well-stocked mass merchandise emporiums — has made Wal-Mart the nation's most respected retailer in the past decade. Wal-Mart will soon outstrip its two chief rivals, Kmart and Sears, as the undisputed leader in U.S. general merchandise retailing.

Since Wal-Mart does nothing in a small way, it is safe to say it has similar ambitions for the pharmacy and food business. The chain recently bought out a major food wholesaler, McLane Co., and has already begun testing large-scale grocery sections in its huge stores. Its penetration of the pharmacy business is older and better-established.

What's more, Wal-Mart is pushing to add pharmacies to most of the rest of its 1,470 Wal-Mart stores, and has begun opening them in its 135 Sam's Wholesale Clubs. "We're adding pharmacies where our lease allows it," said Clarence Archer, vp-pharmacy operations.

What gives Wal-Mart such impact is its enormous distribution muscle, which allows it to purchase merchandise — including pharmaceuticals — at the best possible price and pass much of the savings on to consumers. Adding to the chain's impact is its blitzkrieg-like growth rate; it is opening large-scale, one-stop megastores at the clip of about 200 stores a year. These units are being added to a nationwide retail powerhouse with unprecedented market reach and the most efficient, cost-effective method of delivering product to the marketplace in the business.

This report also examines Kroger's pharmacy operations — see page IP21

"Let's face it," said Bill Harris, vp-non-foods merchandising at Randall's Food and Drug in Houston, "you look at the impact of Wal-Mart on your market, and you see they're doing a lot of things right."

Wal-Mart's pharmacy business derives its strength from the chain's well-known everyday low-price policy and its reputation for customer service, said Archer. The chain's rapid growth and solid reputation are also helping attract career-oriented pharmacists, he said.

Walgreens tops the American retail pharmacy market

Continued from page IP17

supplies, this is a remarkable achievement. In the past decade, in fact, Walgreens has propelled its pharmacy business from 15 percent of total sales to 33 percent of sales.

Several factors have played a role in the renewal of Walgreens' core Rx business. The central factor: a decision by Walgreens' top executives in the 1970s to get out of distracting ancillary businesses — like discount stores, optical centers and in-store restaurants — in order to focus on the health and beauty care strengths that had made Walgreens a household name to begin with. That effort resulted in a complete remerchandising of the drug store, with the pharmacy regaining position as the central focus of the store.

"[Our corporate strategy] was to get out of all peripheral businesses, and focus on what we do best — running drug stores," said Walgreens' chairman. "This was a planned and focused strategy to position us as strongly as possible to run the most convenient, best-merchandised, and most technologically advanced drug stores in the business."

Mindful of the tremendous growth in competition and the blurring of trade class lines, Walgreens is positioning itself as "the independent drug store of the '90s," with the accent on customer service, convenience and trust.

Walgreens' strategy was no accident: it envisioned the aging of the population, which is driving prescription growth; the growth of third-party payment systems; and the increasing reliance of health care plans on prescription drugs vs. surgery and other, more expensive health-care alternatives.

Along those lines, the company has spent heavily to build its Rx business with the most advanced technology it can muster. Its Intercom system is a powerful marketing tool, enabling Walgreens pharmacists to call up any patient's prescription files at any Walgreens pharmacy in the country, 24 hours a day. The system also provides for on-line third-party verification in many cases, and "has removed a lot of the bookkeeping, accounting, and clerking functions away from our pharmacists," said Bill Thien, vp-health services.

Walgreens is constantly tinkering with the Intercom system to improve it, and promotes the system extensively in its print, TV and radio advertising.

Another factor behind the growth in Walgreens' prescription business has been its aggressiveness in going after third-party accounts. In the past two years, the chain has tempered that approach in a bid to boost profits. Said former president Fred Canning early this year, "Our pharmacy technology and market coverage make us attractive providers for third-party carriers, and we compete successfully for the business, but we will not get into bidding wars and take contracts which make no profit sense.'

Walgreens has also built prescription sales with 24-hour stores in some of its major markets. Soon, the chain will unveil an "800" access number for traveling customers to locate the nearest Walgreens pharmacy.

Strong pharmacy presence in voluntaries

Wholesaler	Voluntary	Number of pharmacies in voluntary	Number of pharmacy outlets served overall	
			Retail	Hospital
McKesson Drug	Valu-Rite	3,288	14,500	2,000
Cardinal Distribution	Associated Druggists, Good Neighbor Drug, Leader Drug	1,330	3,380	—
Alco Health Services	Family Independent Pharmacy	1,102	6,965	—
Bergen Brunswig	Good Neighbor	904	8,000	2,000
FoxMeyer	Health Mart	646	3,787	957
Durr Fillauer	Price Guard	350	1,600	550
Harris Wholesalers	Health Plus	300	3,000	150
Owens & Minor	Cardinal Drug Centers	200	1,100	205
Commons Bros., Inc.	Display Well	120	620	—
Drug Guild Dist.	—	—	600	—
Legend	—	—	720	—

Source: *Drug Store News/Inside Pharmacy* research

Retail pharmacy is a whole new ballgame

Continued from page IP17

food stores, discounters, even wholesale clubs — to delve deeply into the prescription drug gold mine and wrest share away from traditional drug stores. In return, many drug store and deep-discount drug store operators have given as well as they've got, redoubling efforts to rebuild their core health and beauty care franchise while cutting in on the convenience food turf offered by their competitors. Wal-Mart, meanwhile, is pushing both ways with both pharmacies and ever-larger grocery sections in its stores.

The result: a fundamental, ongoing erosion in the barriers that used to clearly separate and define different classes of trade. In the words of one drug store executive: "Everybody is our competition these days."

In this report, we've examined the top pharmacy operators in each class of trade — Walgreen Co. for drug chains, Kroger Co. for supermarket chains, and Wal-Mart for discount mass merchants. Each company has adapted aggressively and resourcefully to an era of blurring trade class lines, time-strapped consumers and market segmentation. Each deserves a special look.

c5150-2

The newspaper of drug store retailing Jan.7, 1991

DRUG STORE NEWS

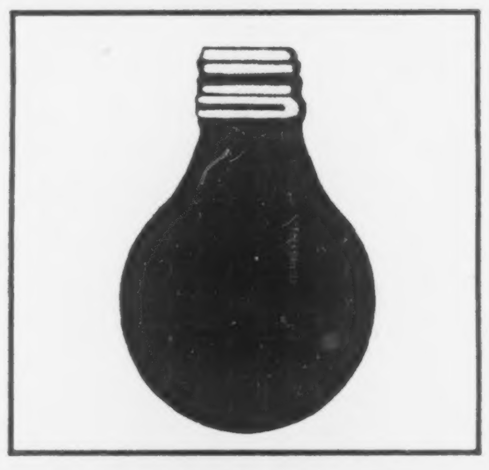
Vol. 13 No. 1 A Lebhar-Friedman publication

LATE NEWS

LANCASTER, CA – Drug Emporium is readying its newest store for a Dec. 7 opening in this city of 50,000, located about 40 miles north of Los Angeles over the San Gabriel Mountains. The new store will be the deep-discounter's 10th unit in the greater L.A. region.

•LOS ANGELES — Thrifty Corp. has named Dan Ramirez as its vp, pharmacy operations. Ramirez, formerly director of pharmacy at Bi-Mart, replaces Herbert Zarrow, who left the company.

FEATURES



Specialty bulbs bolsters category

Buyers will look for brilliance in lighting products at the NHMA show in Chicago. **Page 24.**

Drug Emporium gets a facelift

Photo coverage shows the look of Drug Emporium's cosmetic dept. **Page 38.**

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Walgreens wins Med-Glaser assets

Plans to run four stores; will fold scripts, inventory into existing base

PHOENIX — Walgreen Co. was awarded the assets of Medicare-Glaser in U.S. Bankruptcy Court here after winning an auction bid that included a plan to operate only four stores.

With an offer of $12.2 million, or 110 percent of inventory value, plus $50,000 to clear store leases, Walgreens out-muscled bidders that included the St. Louis-based Schnuck's Supermarkets.

Walgreens gains all the assets of 73 stores, including prescription files. A Medicare-Glaser source estimated the chain's script volume at 12,000 to 13,000 a month. NuCrown Optical of St. Louis bought the inventory of five optical stores.

The buy will greatly increase Walgreens' St. Louis market share, providing it can hold Medicare's customer base. Many Walgreens stores are located close to Medicare-Glaser stores and can conveniently absorb their business. Walgreens, with 56 stores in the market, is already the leader.

56 stores
Walgreens

Walgreens gathers steam in St. Louis: Map is taken from 2-page company ad in market.

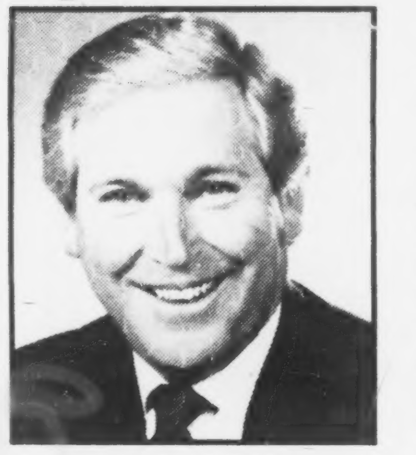
Medicare-Glaser had an estimated 15 percent market share of drug store merchandise sales among all mass merchants, with sales projected at $88 million for the fiscal year ending this March, a company spokesman said. While declining to name Walgreens' share, a company spokesperson said that the 35 percent reported in several press accounts was "way too high."

With Walgreens closing most of the stores, the 65-year-old Medicare-Glaser fails to emerge from Chapter 11 bankruptcy as a "going concern," as employees had hoped it would.

Most of the 889 employees will be out of work after the sale closes in January. But market observers said that the pressing need in retail services for store level employees will allow many to find new work. It might be harder on

See **Walgreens** *page 45*

McAlear succeeds Schiff as top Pay Less exec



McAlear

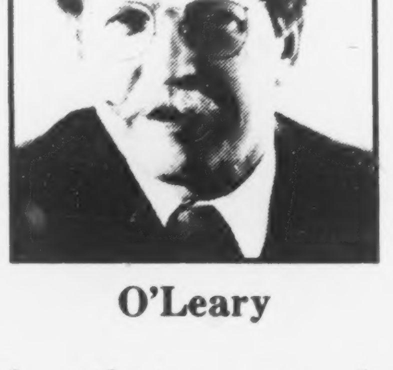
WILSONVILLE, Ore. — Pay Less Drug Stores and parent company K mart Corp. have named Tim McAlear president and chief executive of the 320-store drug chain, effective immediately. The promotion caps McAlear's rapid rise in status since moving from K mart to Pay Less nearly four years ago.

McAlear, 46, replaces Pay Less veteran Ron Schiff, who resigned for what the company only described as "personal reasons."

The move was a sudden one, but McAlear's quick ascension was not wholly unexpected. He was a key operations executive at K mart who served as a district manager, director of store development for K mart's central region, and general manager of its Kresge and Jupiter stores. Following K mart's acquisition of Pay Less, McAlear was hand picked to spear-

See **McAlear** *page 45*

O'Leary named Fay's president and COO



O'Leary

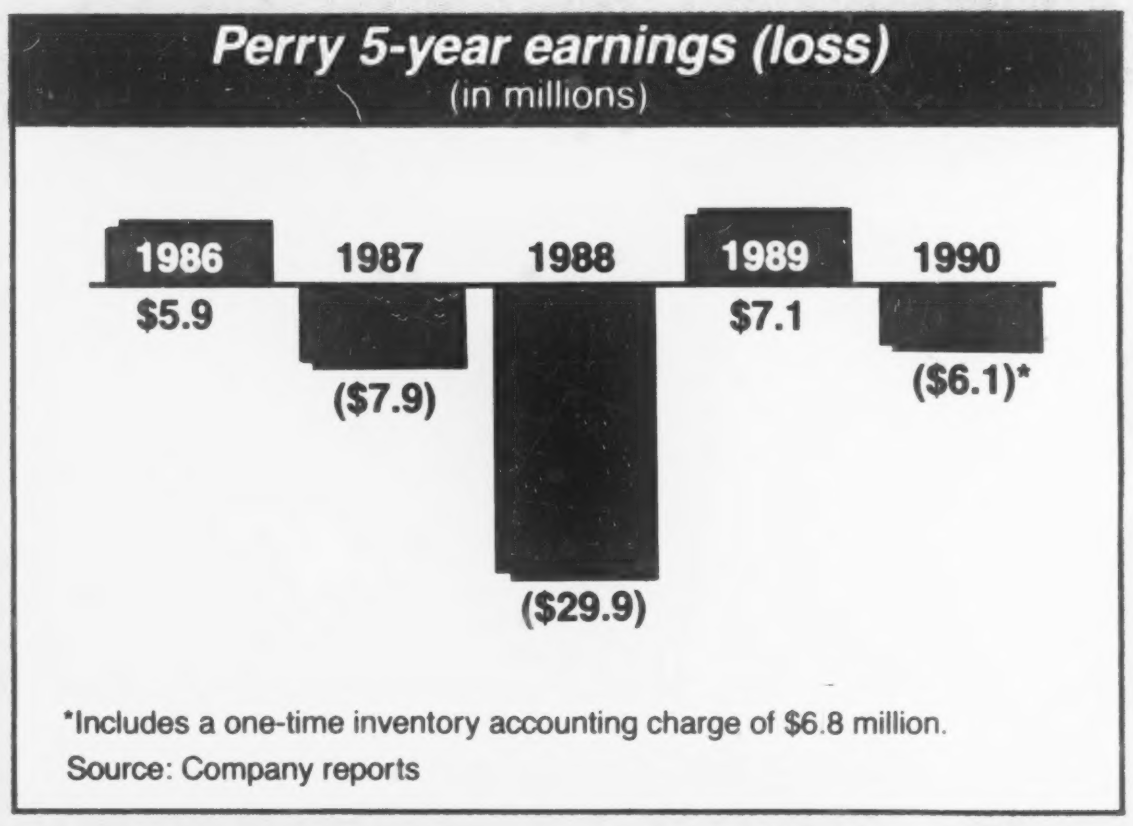
LIVERPOOL, N.Y. — Daniel O'Leary, a former accountant with Touche Ross & Co. who joined Fay's in 1987, has been elected the company's president and chief operating officer.

The move also entails a reorganization that eliminates the post that O'Leary had held — executive vp, reporting to chairman and ceo Henry Panasci, Jr. In that post, O'Leary was in charge of virtually all departments other than store operations, merchandising and marketing.

Some of those retail "support" departments will now be directly overseen by others.

Panasci said that O'Leary's executive skills and finance background will complement the merchandising and marketing skills of the heads of the company's three operating divisions, who will now report to O'Leary. Those

See **Fay's** *page 45*



*Includes a one-time inventory accounting charge of $6.8 million.
Source: Company reports

Perry Drug predicts rebound from '90 loss

By James Frederick

PONTIAC, Mich. — Perry Drug Stores recorded a sharp loss for its fourth quarter and fiscal year ended Oct. 31, but company officials say steps already in place will nudge Perry back on track this year.

Fulfilling its own predictions, the company reported a loss of $3.8 million in the fourth quarter, compared with net earnings of $1.3 million in the final period last year. Perry attributes the downturn to a deteriorating economy and softened consumer demand, which led to below-plan sales of $161 million vs. $162 million last year.

General merchandise sales were particularly hard-hit in Perry stores, and picketing by some former Revco workers and their hirelings at some Perry sites may have had some impact.

The fourth-quarter loss dragged operating income for all of fiscal 1990 down to $595,000 on sales of $658 million. A major change in Perry's accounting method, however, resulted in a one-time charge of $6.8 million and a net loss for the year of $6.2 million, compared with net earnings of $7.1 million on sales of $670 million in fiscal 1989.

The accounting change—by which Perry moved from

See **Perry** *page 45*

NEWS IN BRIEF

Kmart inks Price Savers takeover

TROY, Mich. — Adding to its strength in the warehouse club arena, K mart Corp. agreed to purchase Price Savers Wholesale Inc., a 17-store chain based in Salt Lake City. Terms weren't disclosed.

Price Savers is a membership-based operation that reportedly will generate $850 million in revenues in its current fiscal year. K mart described it as a profitable retailer that would enhance its strength in the warehouse club business.

In 1989, K mart purchased Pace Membership Warehouse for $322 million and merged its fledgling Makro division into Pace. The Price Savers acquisition extends K mart's wholesale club operations into new markets in the West.

The latest takeover extends the consolidation of the membership warehouse club industry. In November, Wal-Mart Stores bought out Wholesale Club of Indianapolis.

BW now Winn-Dixie's primary Rx supplier

INDIANAPOLIS — Bindley Western Drug Co. is now the primary supplier to the pharmacies in 79 Winn-Dixie combo stores.

BW's divisions in Charlotte, N.C., Indianapolis, Atlanta, Orlando and Dallas will service the stores in eight states. Keith W. Burks, president of the drug wholesaler, said he expects the number of Winn-Dixie combos to expand significantly in the next year.

Nov. BTS show previews new lines

NEW YORK — In addition to the upcoming Back-To-School Show, Thalheim Expositions announced it will hold a second Back-To-School Show Nov. 12-14 at McCormick Place in Chicago.

"The November show was established to accommodate those retailers and manufacturers who want an early preview of new lines," said David Thalheim, president of Thalheim. The New York show will continue to be held in February.

The new fall show in Chicago will have a similar structure to the New York show. Space at the November show will be allocated initially on a seniority basis to companies that exhibit in the New York show. Thalheim's Henry Dicker has been named show manager for both exhibitions.

Pharmasave moves to central Canada

LANGLEY, B.C. — Fast-growing Pharmasave Drugs is making its first entry into the central Canada provinces of Saskatchewan and Manitoba, with 16 former independent drug stores in those provinces slated for conversion to the Pharmasave format and logo this month.

The franchise chain converted store signing Dec. 31, and will hold grand opening ceremonies at all 16 stores Jan. 16. Two more units will be signed on in March, according to company spokesman Todd Plotnikoff.

The openings will make the chain a nationwide retail name, with stores coast to coast from Vancouver to the Maritime Provinces.

RSI buys Humiston-Keeling subsidiary

CHICAGO — Humiston-Keeling has sold its data-processing subsidiary, Response Systems Inc., to RSI's current management team, Dean Huisman and Ray Heinzen.

RSI will retain its customer base in the wholesale distribution and medical claims areas.

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NACDS study says Pharm.D. may be tough pill to swallow

By Harold Cohen, R.Ph.

NEW YORK — A five-year bachelor of science program at an accredited pharmacy school is more than adequate education for a pharmacist in a community practice setting, according to a new study commissioned by NACDS.

The study, conducted by SRI International, also found that a mandatory six-year Pharm.D. degree for all pharmacy graduates would "severely exacerbate" the current pharmacist shortage.

The mandatory Pharm.D. issue has been debated for years among academicians. Last year, it boiled over when the American Council on Pharmaceutical Education (ACPE) issued a "Declaration of Intent" suggesting future accreditation would be limited to schools offering Pharm.D programs only.

"Given the [findings of the SRI study], NACDS agrees with SRI's recommendation that those who are now urging only a six-year Pharm.D. degree for community pharmacists should re-evaluate their position," said Ron Ziegler, president of the chain drug association.

Appropriate for some

"Of course," Ziegler said, "not every pharmacist will go into community practice. Some will choose an institutional setting such as a hospital or one of any number of pharmacy specialty areas. For some of them, education beyond the five-year program may be appropriate."

The study also found that a patient's quality of life can be improved and health care costs lowered if pharmacists take a more active role in patient consultation. But because pharmacists spend most of their time filling prescriptions, the study pointed out that the use of technicians is essential if pharmacists are to provide adequate patient consultation.

Before any decisions can be made concerning a pharmacist's degree of education, the SRI recommended that "leaders in the pharmacy profession must decide on a definition of the future roles of community pharmacists based on analyses and studies of needs for pharmacy-related health care, and a realistic appraisal of potentials for performance of such services in the U.S. health care system."

McKesson opening four DCs

SAN FRANCISCO — McKesson Corp. said it plans to open four new distribution centers over the next two years—three equipped with state-of-the-art materials-handling technology—at a total cost of $65 million.

The new DCs, totalling 800,000 square feet, will be located in Camden, N.J.; Atlanta; St. Louis and Phoenix and will double capacities in each market. All four DCs will replace older facilities, which the company said it will sell.

"These were older, inefficient warehouses that needed to be replaced with new DCs more than others," explained a McKesson spokesman.

McKesson plans to install automated order-picking equipment in the new Camden, Atlanta and St. Louis DCs. The high-speed equipment, which represents $10 million of the $65 million outlay, is more than four times faster than the semi-automated systems the company is currently using. Other facilities will be converted to the new technology down the road, McKesson indicated.

Automated order fulfillment will significantly improve productivity, said Joe Polastri, McKesson Drug president. "We will be able to react more quickly to our pharmacy and hospital customers' needs and with an even higher degree of accuracy."

He added, "The addition of these four new centers and the automated order-picking systems will make it possible for us to keep pace with our expanding business in these markets."

Early this year

The first center to be completed will be the $13 million, 234,000-square-foot DC in O'Fallon, Mo., near St. Louis, scheduled to go on line early this year. It replaces an 86,000-square-foot DC in St. Louis.

The other new DCs, scheduled for completion in 1992, include:

- A $14 million, 235,000-square-foot facility in Delran Township, N.J., near Camden, which will replace a 120,000-square-foot warehouse in Philadelphia.
- A $15 million, 235,000-square-foot DC in northeast Atlanta, replacing a 134,000-square-foot facility in Norcross, Ga.
- A $10 million, 180,000-square-foot warehouse in Goodyear, Ariz., west of Phoenix, replacing an 85,000-square-foot DC in Phoenix.

With completion of these four DCs, McKesson will have opened eight new centers in four years, representing an $83 million investment. It will have 5 million square feet of warehouse space in 45 facilities nationwide, all linked by satellite communications to McKesson's computer center near Sacramento, Calif.

Bergen, others consider FoxMeyer 'for sale' sign

By Elizabeth Richardson

PITTSBURGH — National Intergroup, parent of FoxMeyer Corp., said several companies phave shown interest in buying the drug wholesaler, which is up for sale.

National Intergroup declined to identify the interested parties, but Bergen Brunswig confirmed that it had sent a letter expressing interest.

Robert E. Martini, Bergen's president and ceo, said that "while we hope to engage in serious discussions about FoxMeyer, there is no assurance that we will make an offer, that any such offer will be accepted or that a transaction will occur."

Last summer, when National Intergroup put FoxMeyer on the block, it estimated the company could be worth between $475 million and $525 million, or at least $21 a share. The wholesaler, with about $2.6 billion in annual sales, is the third largest in the industry. A combination of Bergen and FoxMeyer would bring Bergen closer to McKesson Corp., the nation's leading drug wholesaler.

This is the second time that Bergen has expressed interest in the company. The first was in 1985, but the merger was called off days before completion when National Intergroup decided to acquire the company because of the deterioration of its steel business.

Correction

Drug Store News incorrectly reported in its Dec. 10 issue that lobeline was among the more then 200 over-the-counter drug ingredients banned by the Food and Drug Administration recently.

Although a number of ingredients used in OTC smoking deterrent products were removed from the market, FDA has taken no action with respect to lobeline. Indeed, lobeline remains a key ingredient in Advantage Life Products' Cigarrest, one of the nation's leading nonprescription smoking deterrent programs.

Drug Stores News gets a new look

IN THE MARKET
BRUCE BUCKLEY

Question: What's different about this issue of *Drug Store News?*

If you answered, "It's smaller," you win the respect and admiration of our editorial staff and art director.

Both were betting that you would not notice the downsizing of the publication's depth to 14 inches from its previous 14¾ inches. Studies have shown that most readers are seldom aware of any but the most radical changes in a publication's size and design.

Perhaps you're wondering: Why did we do it? Or maybe: Am I getting less information for my money? Since *Drug Store News* is the industry's only publication with a fully paid readership, we were concerned about both reactions.

In answer to the first question: We did it because readers told us to. In our regular readership studies, one consistent request has been for a smaller, handier publication. Readers say the newspaper should be able to slip easily into a briefcase. Our new size will allow it to do just that.

And, no, we have not sacrificed any information in downsizing our format. For the most part, we've given up border space rather than text space. In a future issue we'll introduce a new airier and easier-to-read typeface that will actually provide you with more words per page.

There are other changes in this issue (and in the works) designed to make our publication tighter, better organized and easier to read. Please let us know what you think about the changes. If you have any suggestions, let us know them too.

We listen to customers.

* * *

I'd like to welcome aboard Tim McAlear, president and chief executive officer of Pay Less NW, to *Drug Store News*' Board of Advisers. McAlear, who has been a friend and trusted source since his arrival from K mart almost four years ago, replaces another valued friend and adviser, Ron Schiff, who resigned from Pay Less for personal reasons. We wish him well and give him our thanks for four years of service to our publication.

McAlear, one of the industry's bright young executives, has moved rapidly up the ladder at K mart and Pay Less, as our story on page 1 indicates. When Schiff assumed the number one spot at Pay Less after Ed Hart retired, McAlear took over day-to-day operations as executive vp and chief operating officer. In that job, he helped remake a successful operation into one of the nation's best-operated and most profitable drug chains.

As a member of our board, he'll help guide the editorial direction of *Drug Store News*, commenting on new features with the talented eye of an experienced retailer.

The job conditions for our board members are not the best. We ask for a lot of careful thought, and the pay is lousy. But as in any partnership, we hope we repay with a useful product that serves the industry's needs.

A standup generic company takes a stand

WASHINGTON PERSPECTIVE
KEN RANKIN

A few years ago the representatives of the generic drug industry were the darlings of Washington.

Whenever they came to town Congress would roll out the carpet and gush about how generic drugs helped hold down the nation's health costs.

It's a different story today. The charges of drug approval fraud that have been leveled against some generic drug industry officials in recent months have soured Washington on generics.

If anything, the generic drug industry is even less popular at the Food and Drug Administration's headquarters in Rockville, Md. Indirectly, at least, the generic drug scandals already toppled one FDA commissioner and triggered convictions of several key agency officials charged with accepting gratuities from manufacturers, perjury, and other offenses.

Ironically, one generic drug house that has never been particularly popular at FDA is Barr Laboratories — a major industry firm that remains untainted by the generic scandals.

From the viewpoint of some FDA staffers, Barr's "crimes" include belligerence against the bureaucracy. In addition to bad-mouthing the agency in testimony on Capitol Hill, the Pamona, N.Y., generic manufacturer contested FDA actions in the courts.

Sensing a need to "rehabilitate" the firm's image at the FDA, Barr came up with the idea of a public relations/marketing campaign to offset the negative publicity surrounding the industry and to distinguish Barr from those companies involved in unlawful conduct.

For help they turned to John Norris — former deputy FDA commissioner-turned-public relations swami — who promptly informed Barr that the company's image problems were indeed severe.

Company officials said Norris told them that FDA staffers view Barr "as a sleazy company which attempted to pass off poor science by using lawyers to make agency submissions."

Moreover, Norris said that after discussing Barr with "several high-ranking managers" at the agency, he was told that the firm is "one of the three worst companies" that the FDA regulates.

Worse yet, Norris suggested that FDA regulators have a habit of retaliating against "bad actor" companies by delaying their New Drug Approval applications.

In a memo to officials at Barr, Norris revealed that "key individuals at the FDA have informed me that Barr's relationships with the FDA have deteriorated substantially over the past several months. Although good relations do not guarantee approvals, bad relations do guarantee delays."

Acknowledging that "the FDA can be a tough agency to get along with," Norris went on to state that the FDA "has threatened . . . the futures of selected drug companies," especially "so-called 'bad-actor' companies" with "prior 'bad records' or 'records of belligerence' with FDA," he said.

The generic drug scandals have already toppled one FDA commissioner and triggered convictions of several key agency officials charged with accepting gratuities from manufacturers, perjury, and other offenses.

What would it take to smooth over the rough spots and stop FDA drug approvers from delaying action on Barr's NDAs? A long-term public relations campaign — managed by Norris — at a cost to Barr of $100,000 per month for three years!

As they explained it in testimony to Congress, Norris' clear implication was that "the FDA would continue its discriminatory behavior unless Barr obtained the services of someone with 'old boy' connections."

To their credit, officials at Barr turned down Norris' $3.6 million public relations scheme.

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Videotapes: A mature and powerful market

Videocassette recorders have now worked their way into seven of 10 American households. That level of saturation explains the fact that videotape sales have flattened in the past two years after explosive growth in the first half of the 1980s.

The flat lines on growth charts, however, don't convey the whole picture with this category. In its short, 12-year life-span, the market for blank videocassettes has ripened into a $1.5 billion to $2 billion industry, one which owes its existence to technological innovation and the creation of new patterns of American leisure-time behavior.

"According to A.C. Nielsen research, consumers spend a significant amount of time with their VCRs," notes the Photo Marketing Association in its most recent Industry Trends Report. "On average, the typical consumer spends over four hours weekly viewing material and more than two hours recording. So, the VCR is becoming a much more fundamental appliance in the 70 percent of U.S. households that own a video deck."

The tape market is being fed by a steady current of consumer demand that may be showing new signs of growth after reaching its first stage of maturity in the late 1980s.

The market rebounded modestly to estimated unit sales of 295 million in 1990, and should hit 300 million this year, according to the Electronic Industries Association's Consumer Electronics Group. That's far below the wild projections made by some manufacturers in the mid-1980s, which called for unit sales of 500 million by 1990. But it still puts blank videotape on a par with lightbulbs and ahead of major consumer categories like soap and sunglasses in retail dollars generated.

In the near term, reports the PMA, "videocassette sales are expected to remain fairly stable, but the renewed growth of VCR decks could be an impetus for higher blank-tape movement."

New demand may come from the growth in household penetration of camcorders, whose price continues to drop and this year will cost about $825, reports the Electronic Industries Association. Camcorder users tend to use more tapes.

Meanwhile, tape revenues are holding up despite the ferocious price competition of recent years. The reason: "People are more quality conscious and purchasing a larger amount of higher-grade blank videocassettes than ever before," in the words of R. Stanton Bauer, general manager of Fuji Photo Film U.S.A.'s Magnetic Products Division. Higher-grade tapes—including a new generation of professional-quality and longer-playing grades—can retail for several times the price of standard-grade tapes.

The typical consumer spends over four hours viewing video tapes and more than two hours recording.

CD's
SPECIALTY SE

Chains like Pay Less have capitalized on the explosive growth of videocassette recorders by offering blank videotapes in their electronic equipment assortment.

Factory sales of blank videocassettes show steady growth

Year	Units (millions)	Dollars (millions)
1987	273.8	$1,006
1988	296.9	936
1989	285.6	923
1990*	295.0	910
1991*	300.0	920

*Estimated

Source: Electronic Industries Association

Tape competition tight as price-cutting eases

Drug chains and independents have been aggressive enough in merchandising and promoting blank videotapes to capture 12 to 13 percent of the market, according to industry estimates. They remain well behind discounters—whose advantages in fielding large stores with big electronics departments have helped give them roughly half the market—but they're on a par with supermarkets and warehouse clubs.

What's more, retail prices for blank tape seem to have stabilized again after several years of furious price competition and drastic discounting by drug, food and discount store chains. "Over the past 18 months or so [tape] prices have dropped considerably, but it's been about six months now since we've seen any dramatic decrease," said Ken Fossaceca, general merchandise manager for Medic Discount Drug, a Cleveland-based chain.

The near-universal distribution of tapes led to the downward spiral in prices and margins, but retailers seem to have gotten the message that tapes are largely an impulse item. They respond well to multiple locations, up-front positioning and good selection.

Continued on page 22

Retail prices for blank tape seem to have stabilized after years of furious price competition.

Movie rentals: Combos go where drug chains fear to tread

Rite Aid Corp.'s decision last year to exit the videotape rental business served to confirm the doubts of most chain drug retailers about the viability of the rental business within their industry. If even Rite Aid—the nation's premier chain drug video outlet—couldn't make a successful go of it, reasoned many in the industry, then who could?

Rite Aid cited the familiar litany of problems after throwing in the towel on most of its 1,000 in-store rental locations. Competition from huge specialty stores like Blockbuster Entertainment and Erol's was just too fierce. Margins were low. Labor and training costs were high. Movie libraries tied up too many inventory dollars. The departments failed to generate enough cross-merchandising sales, and they ate up too much space in the stores to justify their presence.

A handful of drug chains, like Wellby Super Drug Stores, continue to do well with rental departments. However, only about 10 percent of drug chains and 8 percent of large independent drug stores remain in the movie business, according to new research from A.C. Nielsen.

That stands in stark contrast to supermarket chains, many of which are gung-ho for the rental business and adding departments as fast as they can. Nielsen reports that fully 42 percent of the nation's food chains—and 21 percent of its discount department stores—offer video rental departments, and more are jumping aboard.

The contrast in approaches is simple enough to understand. Food, discount and deep-discount chains field stores that are large enough to accommodate fully-stocked rental centers, and heavily trafficked enough to make them pay off. Indeed, the departments are a natural fit for many combo store formats, which rely on a battery of service departments to flesh out their one-stop shopping advantages.

Kroger Co., for instance, now has fully-stocked rental centers in all 700 of its combo stores, and remains committed to the business. "Kroger chairman and ceo Joe Pichler calls movie rentals "a niche opportunity . . . we intend to do more with."

Separate boutique

Other combo chains are also big players in the rental game. Randall's Food and Drug of Houston rents videos in virtually all 40 of its combo stores. In newer stores, Randall's has created a store-within-a-store for its rental business, with a separate entrance and glass walls that enhance the appeal of the departments.

Like Randall's, many other combo operators have created separate boutique settings for video rentals in prominent locations at the front of the store. Among them: Smith's Food and Drug in the Southwest, Schnuck's in St. Louis, and Twin Valu in Cleveland.

Powerful prototype

K mart, meanwhile, has developed a powerful new setting for video rentals in its newly developed prototype, which is being rolled out gradually on a national basis. Movies in these new K mart stores are housed adjacent to electronics in a massive alcove anchoring a front corner of the store.

Among deep-discount drug chains, Phar-Mor continues to roil the competition with 69-cent movie rentals and new, larger departments with more offerings. The chain recently staged a promotion in which consumers were given several free rentals in exchange for their membership cards to competiting video rental stores.

Factory sales of VCRs slack off

Year	Units (millions)	Dollars (billions)
1986	12.3	$4.0
1987	11.6	3.4
1988	10.7	2.8
1989	9.8	2.6

Source: Electronic Industries Association

A handful of drug chains continue to do well with rental departments, but only 10 percent of chains and 8 percent of large independent drug stores remain in the business.

Competition tight, price-cutting eases

Continued from page 21

"It's an impulse category, and we merchandise it at the checkstands," said Fossaceca. "The margins are probably not as good as they could be, but we're not losing money on them. I'm looking at margins of 30 percent or more."

Medic is a relatively new entrant to the blank videotape business, Fossaceca said, and is enjoying strong growth with 4-foot sections at the checkouts. "Our sales are strong on a zero base," he said. "I look forward to a strong year in the category."

Tape manufacturers agree on one thing: retailers can sell more tapes at higher margins if they compete for sales through aggressive merchandising and a good selection of top brands, rather than with steep discounts. "Retailers should stock two to three name brand products and show a broad selection of products with features and pricing to meet consumer needs," said Bob Burnett, 3M/Scotch marketing director.

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High-voltage competition sparks battery market

Be it ever so humble, there's no place like the battery display for fast turns, high-voltage competition and frenzied promotion.

Thanks to the continuing boom in the market for consumer electronics, the category will push past $3 billion at retail this year. Although unit sales have flattened somewhat, and are now running ahead about three percentage points a year, the continuing move by consumers to higher-priced alkaline batteries is still pushing dollar gains ahead at about twice that rate.

That's no small potatoes for a product that one industry insider, quoted in a recent issue of *The Wall Street Journal*, called "probably the lowest-interest category in the world." Indeed, the category's excitement is generated as much by clever ad campaigns—like the Energizer "bunny"—as much as by product innovation or point-of-purchase display.

Sparking sales

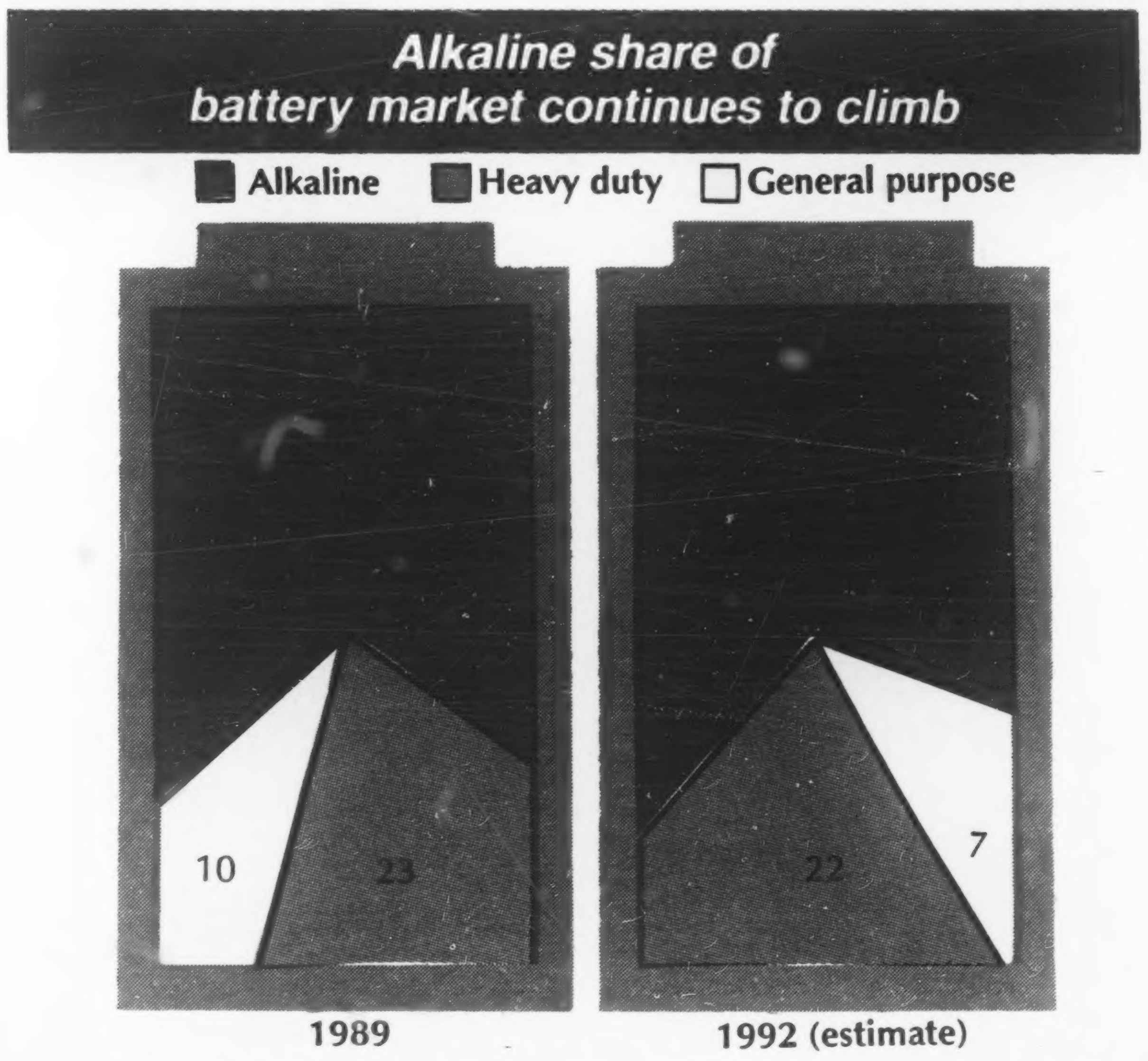
Yet innovation continues. In terms of longer-life product development, packaging, retail support and marketing, battery manufacturers have done yeoman work over the past several years to spark sales and wrest market share away from their competitors.

Consider Eveready. In addition to its attention-getting ads, the company is leading a charge for environmentally friendlier products with low-mercury batteries, and is promoting the new, less toxic battery at the point of sale.

Beginning last summer, the company also made both its Energizer alkaline and Eveready Super Heavy Duty brands available in new printed shrink-wrap packaging to cut down on space requirements. So-called Space Packs contain the same number of batteries as Eveready's blister packs, but take up one-third the space. Larger, multi-pack Family Packs are aimed at heavy-use customers, who account for an estimated 73 percent of category volume.

Multipacks a hit

Larger-size multipacks were pioneered by Rayovac, the number three battery maker. Rayovac has achieved big sales gains in discount stores because of its commitment to multipacks, which are merchandised heavily by discounters because they have the space to devote to full battery presentations. Both mass merchandisers and Rayovac itself are aiming at the heavy battery user, which Rayovac profiles as 20 percent of American households consuming 96 batteries a year.



Source: NFO Consumer Purchase Diary

Calling itself the market leader in mass merchandise outlets, Rayovac is working to boost its distribution into drug chains and supermarkets, where it has long been outgunned by Eveready and Duracell. Rayovac multipacks have now found their way into Eckerd, Peoples, Thrift Drug, Big B, Perry, K&B, F&M and LaVerdiere's, said company spokesman John Daggett. More, he said, will add the brand as they fight to regain share from the discounters and food stores.

For its part, Duracell is capitalizing on its leadership in the alkaline segment of the battery market, which now accounts for roughly two-thirds of total sales and is the fastest-growing major segment. Duracell claims it has a 44 percent share of the alkaline segment, compared with 37 percent for Eveready's Energizer. In recent years, the company has focused efforts on boosting user life for its alkaline batteries and emphasizing product freshness with date stamps. It also introduced peggable multipacks in the latter 1980s.

Duracell's most recent innovation is its Copper Top Tester, an in-pack battery tester which came "in direct response to consumers' questions and concerns about battery freshness," according to Duracell U.S.A. president Charles Perrin.

Duracell also jumped early into the growing market for lithium batteries, which offer long life, high energy output, light weight and versatility. In the photo battery market, lithium sales have surpassed $50 million, according to the company.

ENERGIZER
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Pres

Multipacks, multiple locations and cross-merchandising are ways drug stores are using to regain their share of battery sales.

Chains face space squeeze in batteries

Battery manufacturers and most retailers agree: to a point, the more space available for the category in the store, the better sales respond. Batteries lend themselves well to cross-merchandising, up-front impulse-oriented display, aggressive POP promotional efforts and multiple locations.

Suppliers and merchants also agree, however, that finding the space to present a full, well-rounded battery presentation and trigger impulse sales with secondary displays isn't easy—particulary for smaller-format drug stores.

"Space management is one of the biggest challenges facing retailers in the '90s," said Gary Baker, Eveready's vp-trade development. "The number of battery-operated devices is estimated to reach 1.6 billion this year. The resulting space crunch often causes increased out-of-stocks and lost profits."

Added Rayovac spokesman John Daggett, "The sale of multipacks and the use of multiple locations is the driving force behind battery sales growth in the mass merchandisers." Acknowledging that drug stores have lost battery market share to their competitors over the past half-decade—from 18 percent to 15 percent, in Rayovac's estimate—Daggett said drug stores are now fighting back.

"The numbers are going to turn around for drug chains,"

Continued on page 34

Consumer demand sends battery makers looking for greener pastures

Heeding the environmental call, battery manufacturers are taking aim at the content and packaging of their products.

Consumers want more earth-friendly products, and battery makers are getting the word.

Heeding the environmental clarion call of the late '80s and '90s, battery manufacturers are taking aim at both the content and packaging of their products. Chief on the hit list is mercury, a particularly deadly element that has long been a key chemical component of batteries because it helps regulate electrochemical activity.

Several battery makers, including Eveready, Rayovac and the smaller Power Plus of America, have been touting lower mercury levels in recent years. Eveready announced last spring that it had achieved a 97 percent reduction in mercury content in its alkaline products, resulting in a 99.975 percent mercury-free battery. The announcement capped a 10-year effort to cut mercury content, according to the firm.

Eveready also rolled out shrink-wrap packaging last year, reducing packaging material volume by 70 percent vs. blister packs.

Rayovac was an early leader in cutting packaging content with its Smartpack multipacks. The company has also reduced mercury content to .025 percent in its alkaline batteries, and to zero in its new heavy-duty products. Rayovac is taking aim at cadmium, which comprises 10 to 15 percent of its current rechargeables.

Chains face battery squeeze

Continued from page 33

he said. "It's proven that secondary locations will sell more batteries, and drug stores are looking at putting them up front, adding secondary locations, cross-merchandising and stocking multipacks.

"I know in a drug store it's difficult to put in more free-standing [battery] displays because of space and concerns about pilferage, but they need to take advantage of impulse sales by offering multiple locations," Daggett said. "Consumers are buying more spares than they used to, because batteries are an item they buy because they see it."

For drug chains and their customers, the brand choices have multiplied and the competition has become fierce as discounters and food stores have added space and secondary locations to a once-stodgy category. Nevertheless, the tide of consumer demand has been enough to lift all the boats. According to A.C. Nielsen, battery unit sales at the nation's drug stores grew to 447.8 million in 1989 from 435.4 million the previous year, while dollar sales hit $410.1 million from $394.5 million in 1988. Sales at food stores were somewhat higher, but year-to-year gains were equally modest.

One word to the wise: the Photo Marketing Association reports that the profile of heavy battery users is a near-match for that of the amateur photo enthusiast. That could mean incremental sales gains for drug retailers that stock batteries at the photo counter.

Retail battery market charging upward

(Unit and dollar sales in millions)

Year	Unit sales	Unit growth	Dollar sales	Dollar growth
1988	2,394	+4.6%	$2,574	+6.8%
1989	2,461	+2.8	2,769	+7.6
1990*	2,540	+3.2	2,931	+6.0

*Estimate

Source: Rayovac/A.C. Nielsen/NFO Consumer Purchase Diary

Small battery suppliers vie for bigger piece of sales pie

Together, the top three battery makers account for more than 85 percent of the total retail market, according to most estimates. Nevertheless, two major manufacturers have weighed into the fray in recent years, and both have the marketing and merchandising muscle that could give them a greater share of the business in future years.

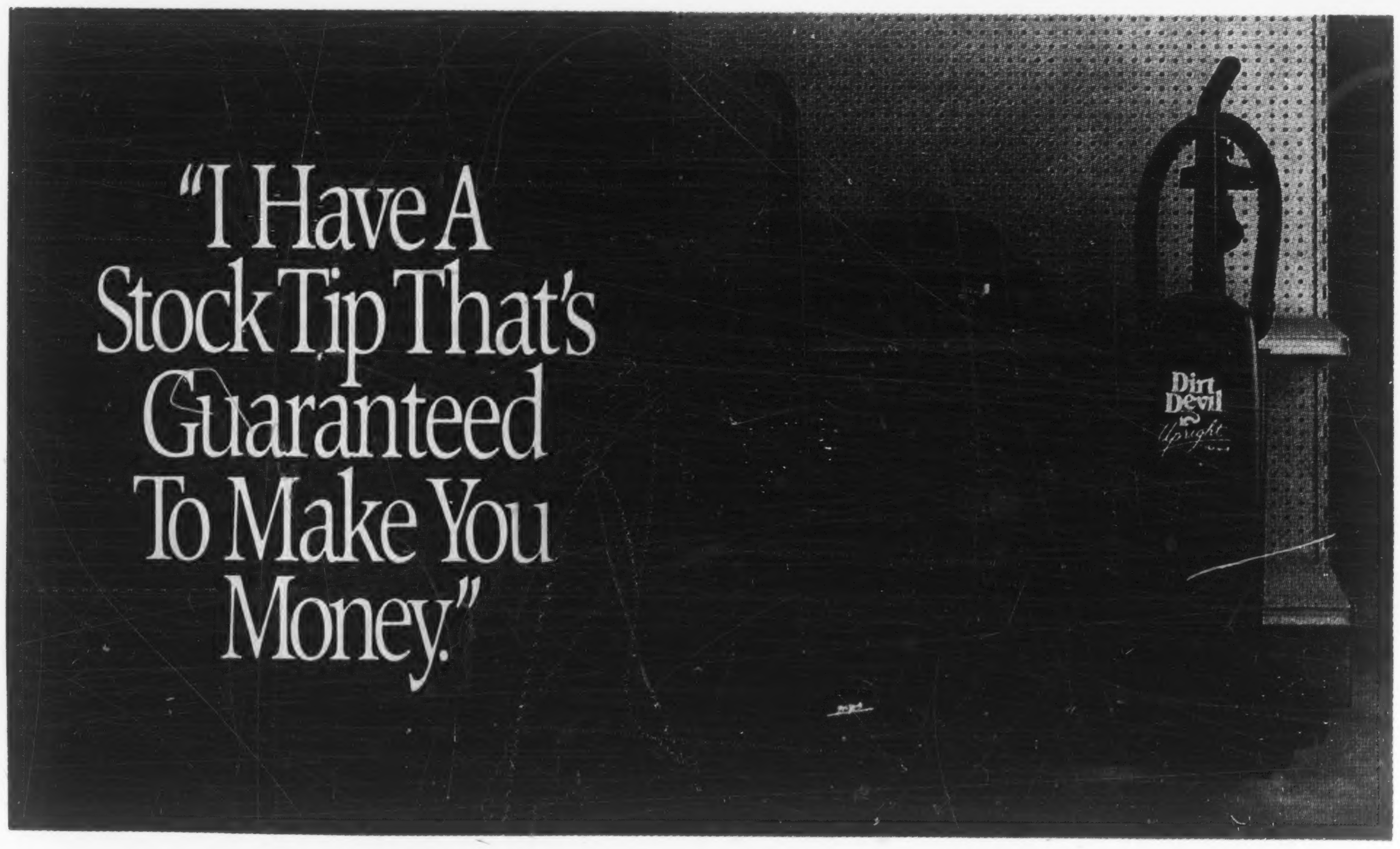
Eastman Kodak continues to push hard for greater distribution, trading on its enormous brand-name strength and its marketing, merchandising and distribution muscle. The company dropped its Ultralife lithium battery last year because of acceptance problems and costs, but has still made steady if modest gains in market share since the mid-1980s. Kodak now has about 6 percent of the market. Another competitor which has been applying its powerful logo to the battle is Panasonic, which is banking on brand loyalty and its quality image in consumer electronics to boost distribution. Panasonic boasts a complete line of batteries, from heavy duty to lithium and nickel-cadmium rechargeables.

Led by Kodak and Panasonic, the smaller suppliers have now carved out at least 12 percent of the battery market in a business dominated by Eveready/Energizer, Duracell, and to a lesser extent Rayovac. The stakes are high: with total sales now above $3 billion a year, each point of market share represents $30 million in business.

How batteries are used

Item	1984	1989
Audio (radios, tape units)	30%	28%
Toys/games	18	15
Flashlights/lanterns, etc.	20	14
Spares	3	12
Photo	8	9
Remote controls	1	5
Clocks	4	3
Smoke detectors	3	3
Calculators	5	2
All others	8	9
Total	100	100

Source:



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Supermarkets General extends stock/bond offer

WOODBRIDGE, N.J. — Supermarkets General Corp. extended its deadline for a bond and preferred stock tender offer from Dec. 13 to Dec. 28. The move was made after companies who plan to infuse $80 million in equity into SGC set a condition that a minimum of $93.3 million face value of the 13⅛ junk bonds SGC is buying must be tendered.

As of Dec. 13, $31 million face value of the bonds was tendered. Also 643,000 of preferred shares were tendered.

SGC has said the purchase will reduce its interest and dividend payments and improve its balance sheet. The food and drug company for the 13 weeks ended Nov. 3 said that operating earnings were $39.6 million, three percent better than in last year's third quarter, adjusting for a $33.8 million restructuring charge taken in last year's quarter. Operating earnings for the 39 weeks are about $7 million ahead of last year, a spokesman said.

Arbor has a 1st qtr. increase

TROY, Mich. — Arbor Drugs, which has opened nine newstores since its fiscal year began Aug. 1, posted an 11 percent increase in net income and a 17.3 percent increase in sales for the first quarter ended Oct. 31.

Arbor also announced a 25 percent increase in the regular quarterly cash dividend, by declaring a dividend of 5 cents per share, payable Jan. 2, 1991, to holders of record Dec. 19, 1990, which is the second time in 18 months that the cash dividend has been raised.

First-quarter net income rose to $2.66 million, or 28 cents a share, from $2.4 million, or 25 cents per share, for the comparable period last year. Net sales were $92.9 million, versus $79.2 million in the year-ago quarter. Comparable-store sales advanced 10.4 percent for the three months.

Net earnings rise for MSI

ST. LOUIS — Medicine Shoppe International's net earnings and earnings per share both rose 22 percent for the fiscal year ended Sept. 30.

Fiscal 1990 net earnings were $8.98 million, versus $7.36 million last year, and earnings per share were $1.11, compared with 91 cents.

Store retail sales were up 19 percent for the year, to $516.2 million, from $435.6 million in fiscal 1989. Franchise fee income derived from store retail sales also rose 19 percent, to $21.4 million.

For the fourth quarter, net earnings advanced to $2.4 million from $2.1 million, and earnings per share were 30 cents versus 25 cents. Store-for-store retail sales were up 13.7 percent this year over last.

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Big B reports a 3rd qtr. net loss

BESSEMER, Ala. — Big B reported a net loss of $3.9 million for the year-to-date and $959,000 for the third quarter ended Oct. 27, while posting record sales for the periods.

Sales rose to $327.4 million from $285.1 million for the 38 weeks and to $103.2 million from $89.9 million for the third quarter, both representing a 14.8 percent gain.

The net loss for the 38 weeks compares with net income of $2.9 million reported for the year-earlier period. The third-quarter net loss compares with a net loss of $584,000 for the prior-year period.

Big B said that cost-cutting measures and gross margin adjustments following the second quarter substantially reduced the loss in the third quarter and that it expects these steps to further improve fourth-quarter results.

Big B's Board of Directors omitted a quarterly dividend normally paid in December, citing restrictive provisions in various debt agreements and the need to enhance cash flow to facilitate debt payment.

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Vol. 13, No. 1 Jan. 7, 1991

MARKET DIARY:

Largest Dollar Gainer	Block Drugs Co.	$ 3.75
Largest Dollar Loser	Syntex Corp.	$– 2.75
Largest Percentage Gainer	Fay's Inc.	13.11%
Largest Percentage Loser	Par Pharmaceutical	– 17.50%

Advances	25
Declines	27
Unchanged	5
New highs	8
New lows	1

	Close 12/11/90	Close 12/24/90	Net Change	Percent Change
Drug Store News Index	3014.80	2995.62	– 19.18	– 0.64
Dow Jones Industrial Average	2586.14	2621.29	35.15	1.36
Standard & Poor's 500-Stock Index	326.44	329.90	3.46	1.06
N.Y.S.E. Composite	178.42	180.01	1.59	0.89
Value Line Index	187.60	194.86	7.26	3.87

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 12/11/90	Closing Price 12/24/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.00	6.13	0.13	2.08	24	0.00	0.00	7.56	3.13
OTC	Arbor Drugs	ARBR	19.50	20.25	0.75	3.85	17	0.20	0.99	23.25	13.25
OTC	Big B	BIGB	7.50	8.13	0.63	8.33	– 20	0.00	0.00	13.75	4.75
OTC	Drug Emporium	DEMP	7.63	7.63	0.00	0.00	12	0.12	1.57	11.00	6.25
NYS	Fay's Inc.	FAY	7.63	8.63	1.00	13.11	12	0.20	2.32	11.13	7.25
ASE	Genovese Drug	GDX.A	6.38	5.63	– 0.75	– 11.76	11	0.24	4.27	10.13	5.63
NYS	Longs Drug Stores	LDG	36.50	35.75	– 0.75	– 2.05	12	1.04	2.91	44.88	33.25
OTC	Medicine Shoppe	MSII	18.38	19.00	0.63	3.40	17	0.24	1.26	26.75	15.50
NYS	Perry Drug	PDS	5.00	4.88	– 0.13	– 2.50	81	0.00	0.00	9.88	4.75
NYS	Rite Aid Corp.	RAD	35.13	36.25	1.13	3.20	18	0.88	2.43	38.63	29.50
NYS	Walgreen Co.	WAG	51.50	51.25	– 0.25	– 0.49	18	0.92	1.80	53.25	39.88
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	27.38	27.63	0.25	0.91	15	0.40	1.45	29.63	20.50
OTC	Bindley Western Ind.	BIND	11.25	12.13	0.88	7.78	17	0.04	0.33	14.25	8.63
OTC	Cardinal Distribution	CDIC	27.00	26.75	– 0.25	– 0.93	24	0.08	0.30	29.00	15.88
OTC	Durr-Fillauer	DUFM	26.75	27.25	0.50	1.87	17	0.28	1.03	28.25	19.50
ASE	Ketchum	KCH	1.25	1.25	0.00	0.00	– 1	0.00	0.00	5.13	1.25
NYS	McKesson Corp.	MCK	30.88	32.38	1.50	4.86	14	1.60	4.94	38.38	26.88
ASE	Moore Medical	MMD	4.38	4.38	0.00	0.00	– 5	0.00	0.00	9.88	3.50
NYS	Owens & Minor (H)	OMI	14.50	14.75	0.25	1.72	20	0.24	1.63	14.88	10.63
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	44.88	43.75	– 1.13	– 2.51	20	0.84	1.92	46.38	31.25
NYS	American Home Products	AHP	51.63	53.00	1.38	2.66	14	2.12	4.00	55.13	43.00
NYS	Baxter International	BAX	28.75	27.75	– 1.00	– 3.48	– 96	0.64	2.31	29.50	20.50
OTC	Block Drugs Co. (H)	BLOCA	35.00	38.75	3.75	10.71	14	0.76	1.96	38.75	29.63
ASE	Bolar Pharmaceutical	BLR	2.75	2.50	– 0.25	– 9.09	– 2	0.04	1.60	19.00	1.88
NYS	Bristol-Myers Squibb (H)	BMY	67.00	66.63	– 0.38	– 0.56	36	2.40	3.60	68.00	50.50
NYS	Carter-Wallace	CAR	52.88	52.75	– 0.13	– 0.24	16	0.92	1.74	58.63	44.88
ASE	Columbia Labs	COB	5.13	4.88	– 0.25	– 4.88	– 3	0.00	0.00	15.50	3.63
ASE	Forest Labs (H)	FRX	49.00	49.13	0.13	0.26	30	0.00	0.00	50.75	33.63
ASE	Halsey Drug	HDG	2.88	2.44	– 0.44	– 15.20	244	0.00	0.00	6.25	2.13
NYS	ICN Pharmaceutical	ICN	3.13	2.88	– 0.25	– 8.00	0	0.00	0.00	5.50	2.50
ASE	Lee Pharmaceutical (L)	LPH	1.00	0.88	– 0.13	– 12.50	– 3	0.00	0.00	2.75	0.88
ASE	P. Leiner Nutrition	PLI	8.00	7.88	– 0.13	– 1.56	9	0.00	0.00	12.63	6.75
NYS	Lilly Eli Co.	LLY	75.63	74.25	– 1.38	– 1.82	20	2.00	2.69	90.38	58.75
NYS	Marion Labs (H)	MKC	33.38	35.25	1.88	5.62	24	0.80	2.27	35.63	21.00
NYS	Merck Co.	MRK	86.25	87.13	0.88	1.01	20	2.24	2.57	91.13	67.00
NYS	Mylan Labs	MYL	21.00	19.75	– 1.25	– 5.95	22	0.20	1.01	24.75	13.75
NYS	Par Pharmaceutical	PRX	5.00	4.13	– 0.88	– 17.50	– 3	0.00	0.00	8.25	3.38
NYS	Pfizer Inc. (H)	PFE	79.50	80.75	1.25	1.57	18	2.40	2.97	81.50	54.50
NYS	Rhone-Poulenc Rorer	RPR	65.00	68.38	3.38	5.19	– 44	0.84	1.23	78.25	45.75
NYS	Schering Plough	SGP	46.13	45.13	– 1.00	– 2.17	19	1.12	2.48	50.75	37.00
NYS	Syntex Corp.	SYN	60.63	57.88	– 2.75	– 4.54	18	1.60	2.76	63.75	46.75
OTC	Taro-Vit Industries (H)	TAROF	2.88	2.88	0.00	0.00	– 48	0.00	0.00	3.13	0.88
NYS	Upjohn Co.	UPJ	40.63	38.63	– 2.00	– 4.92	20	1.16	3.00	44.63	33.00
NYS	Warner-Lambert	WLA	68.63	66.88	– 1.75	– 2.55	19	1.52	2.27	70.38	49.63
OTC	Zenith Labs	ZENL	6.00	5.50	– 0.50	– 8.33	0	0.00	0.00	11.75	3.75
Other retailer transactions											
NYS	Albertson's	ABS	35.75	35.88	0.13	0.35	22	0.48	1.34	37.63	24.38
NYS	American Stores	ASC	54.50	53.00	– 1.50	– 2.75	12	1.12	2.11	71.50	42.63
NYS	Giant Food	GFS.A	27.13	27.50	0.38	1.38	14	0.60	2.18	29.88	21.13
NYS	Great Atlantic&Pacific Tea	GAP	43.13	43.63	0.50	1.16	11	0.80	1.83	61.75	37.75
NYS	Kmart	KM	28.75	28.00	– 0.75	– 2.61	17	1.72	6.14	37.25	23.38
NYS	Kroger	KR	13.00	13.88	0.88	6.73	53	0.00	0.00	17.00	10.63
NYS	Melville Corp.	MES	40.13	42.00	1.88	4.67	12	1.40	3.33	57.75	32.75
OTC	Fred Meyer	MEYR	11.75	11.75	0.00	0.00	– 59	0.00	0.00	18.75	10.00
NYS	Penney, JC	JCP	43.63	43.38	– 0.25	– 0.57	7	2.64	6.09	75.63	37.38
NYS	Safeway	SWY	12.00	12.25	0.25	2.08	31	0.00	0.00	16.88	10.25
NYS	Smith's Food & Drug	SFD	29.75	28.13	– 1.63	– 5.46	22	0.28	1.00	34.50	22.75
NYS	Wal-Mart	WMT	30.25	31.50	1.25	4.13	29	0.12	0.38	36.75	20.25

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

C5150-2

The newspaper of drug store retailing

Jan.21, 1991

DRUG STORE NEWS®

Vol. 13 No. 2

A Lebhar-Friedman publication

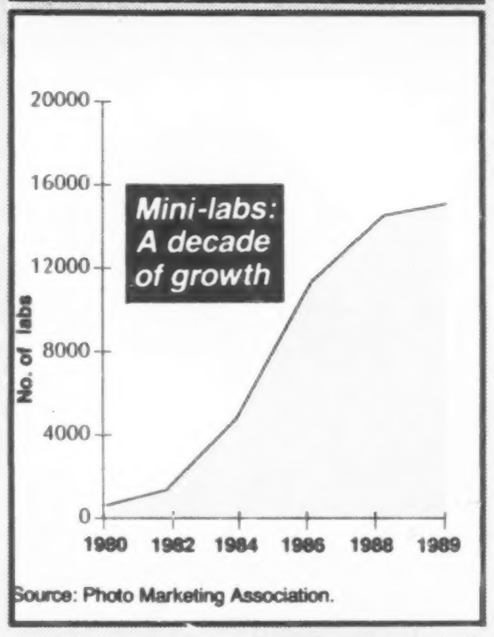
LATE NEWS

• CHICAGO — A[illegible]ated/Associated Drug Stores has chosen Orlando, Fla. as the site of its 1991 fall buying show Sept. 20-22.

• ROME, Mich. — F. Kevin Browett, formerly vp-pharmacy at Peoples Drug Stores, joins Kmart as senior director of pharmacy operations.

• DEERFIELD, Ill. — Walgreens announced a two-for-one stock split.

FEATURES



Source: Photo Marketing Association.

'90s innovation in the spotlight

Exciting changes in in-store photo processing are some of the innovations that will shape the coming decade. **Page 11.**

Xmas cosmetics a mixed bag

Beauty Beat found most chains anticipated Christmas cosmetics/fragrance slowdown and thus avoided a total rout. **Page 20.**

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SECOND CLASS

Walgreen pushes '91 store growth

By James Frederick

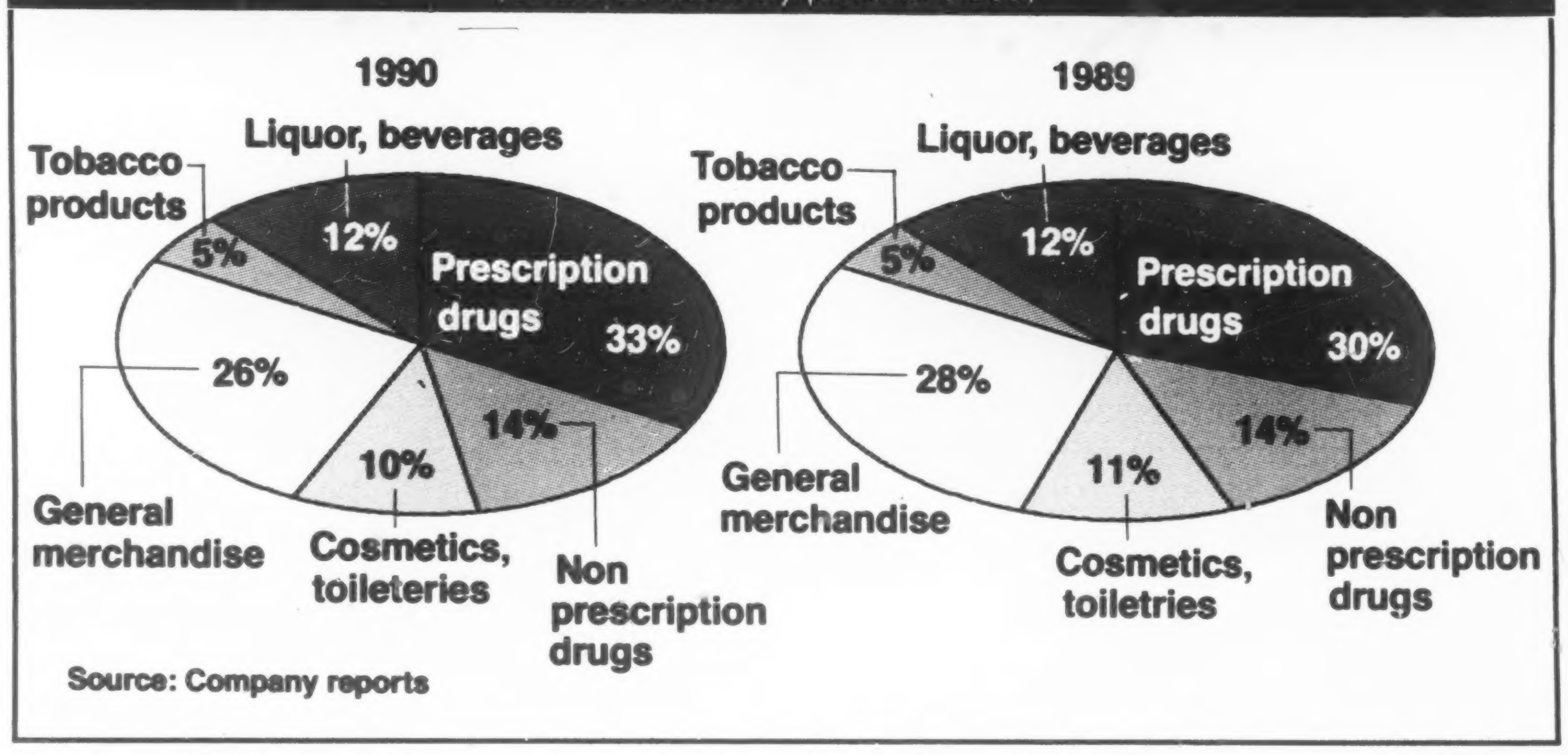
Walgreen Co. will remain aggressively growth-oriented despite recessionary pressures in 1991, chairman and ceo Charles R. Walgreen III told shareholders at the annual meeting Jan. 9.

The chain will add at least 110 new stores to its 1,588-unit base this year around the U.S., with 600 new units slated over the next five years. "I hope that includes some first-rate acquisitions," Walgreen said. "We will be looking."

Much of the growth will be in California's central valley, in the Northeast, and in Florida, said president L. Daniel Jorndt in his first shareholder address as president. "We're prepared to handle a major acquisition, with the experience of Medi Mart behind us," he said.

The chain will also break into the Evansville, Ind. market for the first time this year with six RxPress stores.

Prescription drugs gain at Walgreens
(Share of sales by product class)



Source: Company reports

Walgreens' expansion appetite is being fed by a planned $200 million capital spending program in '91—the second year in a row that spending for store growth, modernization and retail automation projects has hit that level. The money will also fund completion of a $43 million, highly automated distribution center in eastern Pennsylvania—Walgreens' ninth—and help cap the ambitious Strategic Inventory Management System project, which Jorndt said is 90 percent completed. Also due for completion this year is in-store scanning; tied with SIMS, the scanners will give Wal-

See **Walgreens** *page 21*

LBO may leave Revco insolvent, says examiner

NEW YORK — Revco's 1986 leveraged buyout probably left the company without enough capital to conduct its business and meet its obligations, and may have left it insolvent, according to a court-appointed examiner's final report.

Released Jan. 2, the 300-page report confirms preliminary findings made last summer. It paints a scathing portrait of an ill-conceived, highly leveraged buyout made at the height of the go-go years of the '80s, when dealmaking and junk bond financing were at fever pitch and caution was perhaps at its lowest point.

In Revco's case, the $1.4 billion paid to take the company private was largely a debt-financed deal that enriched stockholders, former top managers, investment bankers and dealmakers,

See **Revco** *page 21*

Value, convenience key to successful Christmas

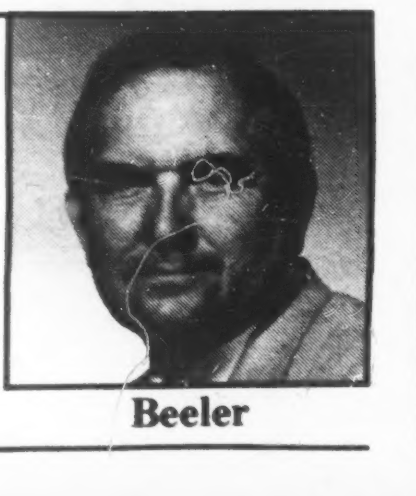
By David Vaczek

NEW YORK — Drug chains with practical inventory levels who appealed to cautious consumers' inclination toward value and convenience fared best during a Christmas season that produced mixed results for drug retailers.

Spooked shoppers, who made a miserable season for department stores, also bedeviled drug chains in some regions. The recession and the Persian Gulf crisis fostered a penny-pinching mood.

See **Christmas** *page 21*

> ***'Lots of folks are out of work and scared about their futures. The media have done a good job of scaring people to death.'***
> **—Don Beeler, chairman Snyder's Drugs.**



Beeler

Bleak outlook doesn't panic drug industry

SPECIAL REPORT OUTLOOK '91

If you're looking for gloom and doom scenarios, welcome to 1991. Plenty of economists and retail consultants are predicting it could be a doozy of a year.

A survey of the nation's major retailers last fall by Deloitte & Touche underscored the gloomy outlook: more than 82 percent of those surveyed believed the U.S. was already in a recession as far back as November, and seven of 10 of then predicted the economy's health would get worse this year. Result, according to the poll: steeper price competition, shaken consumer confidence, weak demand from increasingly demanding shoppers, and cutbacks in inventories.

There are plenty of good reasons to batten down the hatches. War clouds and a major disruption of oil supplies threaten in the Middle East, where more than 400,000 American troops await their orders. Layoffs and cutbacks have swept through big sectors of the economy like banking, real estate, manufacturing and finance. Unemployment continues to climb. The deficit remains an intractable drain on the money supply.

LBO's falter

Meanwhile, leveraged companies continue to fall prey to their debt loads after a growth binge in the 1980s. Bank loans have dried up, leading to a crunch in real estate development. Anticipating the worst, manufacturers and retailers continue to scale back production plans, inventory purchases and expansion plans.

Retailing in the '90s, pg. 4

"As far as 1991 goes, I'm afraid to think about it," said one chain drug executive in Ohio. "The whole thing is scary."

That spells a consensus among drug retailers that 1991 will be a disaster, right?

Not at all. Unlike some of their counterparts at big general merchandise

See **Industry** *page 21*

IN THIS ISSUE

Over 400 to attend NACDS show

ALEXANDRIA, Va. — More than 400 chain and supplier executives and 60 exhibitors will attend the National Association of Chain Drug Stores' second annual conference on distribution/logistics. It will be held in Grenelefe, Fla. Feb. 24 to 26.

The business program is headed by Jack Futterman, chairman, president and ceo, Supermarkets General. Vern Brunner, executive vp, Walgreens, and Mal Jozoff, Group vp, Procter & Gamble, will speak on retailer/supplier alliances.

Logistics experts attending include Jim Morehouse, A.T. Kearney and Dr. Doug Lambert of the University of Florida.

Subjects focused on will include Electronic Data Interchange, Quick Response, and the use of telecommunications.

The event's co-charimen are John Brown, senior vp distribution, Walgreens, and Bob Keehn, distribution manager H&BA, Procter & Gamble.

Drug Emporium 3rd-qtr. net sales up

COLUMBUS, Ohio — Drug Emporium reported that third quarter net sales were up 27 percent to $153.3 million, with nine-month sales up 25 percent to $442 million. The third quarter sales growth includes $6 million sales from three franchises Drug Emporium purchased in the quarter ending Nov. 30.

Net earnings were $1.399 million compared with $1.4 million in last year's third quarter, with earnings per share of 11 cents in both quarters. This quarter's earnings absorbed a $700,000 LIFO charge.

Nine-month net income was $5.4 million, or 41 cents per share, versus $5.5 million, or 42 cents a share, last year.

"Given the tough retailing environment and a full year of double-digit growth in same-store sales, there is no question that our more aggressive pricing strategy continues to achieve our objectives," said Gary Wilber, ceo.

Walgreens names dc managers

DEERFIELD, Ill. — Walgreens has named Donald Boyajian as manager of its newest distribution center opening this June in the Lehigh Valley, near Allentown, Pa. It will serve about 100 drug stores in New Jersey, New York, and four New England states. Boyajian joined Walgreens in 1979 as an assistant store manager. He was promoted to his most recent position, Orlando distribution center manager, in 1989.

Also, Gary Ellingson was promoted as dc manager at Orlando. He will be responsible in that post for merchandise shipped to Florida and Puerto Rico.

Ellingson, who joined Walgreens in 1982, was most recently manager of operations at the Orlando facility.

McKesson designing Wellness Centers

SAN FRANCISCO — McKesson Drug Co. is designing Wellness Centers for its customers who want to dispense information and health care products to their customers. Products and services may include blood pressure testing, cholesterol screening, health care video rental and sales, home diagnostics, and a selection of health care brochures.

The center can also include a Pharmacy Information Center, a touch screen kiosk that gives information on over 5,000 drugs and on diseases and other health topics.

Said Fred Toney, McKesson's senior vp, sales and merchandising: "Wellness is a key concept for the '90s and beyond. Having Wellness Centers in pharmacies will help establish the pharmacist—already considered the most trusted professional according to a recent Gallup poll—as the local wellness resource," Toney said.

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Cautious buyers take care of business at NHMA show

CHICAGO — Economic jitters and the threat of war in the Mideast didn't keep most drug chains from the National Housewares Manufacturers Association's 1991 Housewares Show Jan. 6-9. Chain drug buyers in general were braced by better-than-expected Christmas results, and most were balancing caution with a willingness to seek out new products and do some business.

WEAREVER
Kitchen
NHMA

Attendance lagged at the Housewares Show in McCormick Place this year but buyers who were there came to do business.

"The drug store chains seem to be coming through this [economic downturn] very well so far," said Jim Devine, president of Affiliated/Associated Drug Stores. "They're coming into this show with a pretty positive attitude."

Added AADS buyer Don Vanacek, "We're surprised at all the new items from the vendors. I don't think we should be as pessimistic about '91 as some people are."

Vanacek and other buyers expressed particular interest in a range of products aimed at drug stores. Among them: a new tooth buffing system developed jointly by Braun and Oral B; personal care appliances with mandated electric safety features this year; storage items from Rubbermaid and other suppliers in new, softer colors; water treatment systems; and facial massage products from vendors like Intrasonics. Unlike many discount and department store chains, drug and combo store operators by and large came through Christmas without a ton of excess inventory, said Devine and other buyers at the show.

"We went full-steam ahead last year despite the economy, and we had a good year as a result," said James Fisher of Fruth Pharmacies in an interview at giant McCormick Place. "We'll probably be more conservative in our buy quantities this year, though."

Downturn, consolidation cuts attendance

CHICAGO — Overall buyer attendance at the annual Housewares Show seemed sparser than in previous years, although midway through the event the NHMA was still hoping to hit its goal of 13,000 buyers from around the globe and total attendance of 50,000. NHMA spokesperson Kimberly Rawn acknowledged the "shrinking domestic base" for buyers as retail chains fold or merge, but said attendance from overseas was up by 33 percent.

Those who made the show were "playing it close to the vest and ordering cautiously," she said, but they were writing plenty of business with smaller, entrepreneurial-type vendors offering niche opportunities and deals. Also generating interest, she said, were efforts by many manufacturers to bring out more environmentally friendly products and packaging.

The reduction in aisle traffic was good news in one sense: it gave each buyer more time to spend at each booth.

"If we come down here and find a half-dozen good items, it pays for our trip," said Gary Goyeau of Ontario's Big V Pharmacies drug chain on the second day of the show. "We've already found them and we've got two more good days to work. The aisles are so dead, we can get in to see anybody easily."

For their part, the vendors reported fewer buyers but said those who came were on the lookout for new sales opportunities, despite expectations for a tough sales climate in '91.

Longs' co-founder, Joe Long, dead

WALNUT CREEK, Calif. — Longs Drug Stores announced the death of Joseph M. Long, chairman of the board and co-founder, on Dec. 28.

While Long had been moderately active in the company since his retirement a few years ago, his son Robert Long, president and ceo, said no changes in the company would result from his father's death.

Bob Bolger, who was president of the National Association of Chain Drug Stores when Long was the association's chairman in 1973-75, said: "His death is a great loss to the drug store industry. He gave a breath of fresh air to NACDS and the industry."

Long co-founded the chain in 1938 with his brother Thomas, and immediately the stage was set for a retailing empire.

The brothers had learned the hard way about the success and failures of retailing, through the demise of their father's general merchandising store, which failed during the the Great Depression.

J. Long

The brothers decided at the outset to avoid financial trouble by not extending credit and staying out of debt. An attitude of superior customer service was also emphasized—a feeling which was extended to the company's employees, with a management style of store autonomy.

The brothers were the first to set up such a retailing style—a style that allowed each store to operate individually, which has helped bring success to the now 240-plus store chain.

"Joe Long and his brother believed that the real activity was at the store level," said Bolger. "They thought it was important that everyone from the store manager level downward knew that they were important to the success of the total operation."

Another important step Long took was buying his leases and owning the land his stores were built on. "This is unique in retail store management," Bolger added. "He put the money back into the business and especially with the real estate market in California, it's a wonderful opportunity for the company."

In addition, Long contributed to several California universities and to state park institutions, Bolger said. "People never stopped learning from him, no matter what the setting," he concluded.

Veteran staff is close to the action

IN THE MARKET
BRUCE BUCKLEY

Collectively the *Drug Store News* editorial staff could celebrate a golden anniversary this year. Our 11 staff editors have accumulated 50 years of experience writing about the industry.

The turn of the year is the time to ponder stats like that. Here are a few more: Seven of our 11 staff editors have been with *Drug Store News* for at least five years. The longest: 10 years; the least: two days (our new desk editor, Carol Kearney, joined us Jan. 7.) Mean length service is five years, average just under that.

These figures do not even include Ken Rankin, who has been covering the Washington scene for *Drug Store News* and its predecessor, *Chain Store Age Drug Edition*, for 18 years.

We've got two other news bureaus, one in Cleveland and the other in Dallas. That's in line with our policy of putting our editors close to where the retail action is.

From Cleveland our veteran senior editor Jim Frederick roams widely throughout the Midwest and into the Pacific Northwest. Jim probably amassed more frequent flyer points than any other member of the staff this year

In Dallas we have Elizabeth Richardson. A native Texan, Elizabeth joined the staff just under two years ago as assistant pharmacy editor after a stint with the Texas Pharmaceutical Association. When a spot opened up in our Dallas office, Elizabeth jumped at the chance to return to the land of Longhorns and Aggies.

Our editorial staff divides its efforts between *Drug Store News* and our new pharmacy magazine, *Drug Store News for the Pharmacist*, an offshoot of the tabloid-sized *Drug Store News/Inside Pharmacy*. Around here the new magazine is referred to as *FTP (For the Pharmacist).* It's edited by Harold Cohen, who spent 15 years as a retail pharmacist before joining us seven years ago. Harold's punchy, personal column, Cohen's Capsules, is probably the most avidly read piece of writing in *Drug Store News*.

The *Drug Store News* group is involved in other enterprises as well. Publishing for the first time this month is *Supermarket HQ Quarterly.* It's aimed at non-foods executives in food chains and is edited by Al Heller, our executive editor. As exec editor, Al has been doing the daily assignments and primary editing for *Drug Store News* for almost five years: a difficult and important job.

Another publication produced by our group (and shared with our sister publication *Discount Store News)* is *FM (Food Merchandising for Non-Foods Retailers).* It's aimed at drug and discount store food merchants and is edited by Liz Parks, who has been with *Drug Store News* for almost eight years. Liz, of course, is the prolific editor/writer who covers the beauty scene in these pages.

We've got two other talented senior editors in the New York office, both with five years experience covering the industry. Dave Vaczek handles the technology beat and is one of our most tireless reporters. Last year he won Lebhar-Friedman's top writing award, the Godfrey Lebhar plate. Susan Ball covers advertising and promotions and has done some first-rate reporting for both *Drug Store News* and *Drug Store News for the Pharmacist* (read her article on pharmacists counseling to the elderly in the current issue).

This column wouldn't be complete without mentioning our copy desk editors, who work long, stressful hours catching our dumb errors and making the publications look good. A special thanks to Bernadette Casey, our senior desk editor whose laughter neutralizes our agita; Fred ("Freditor") Rueckher, our newly-promoted assistant desk editor; and the above-mentioned Carol Kearney, who is still new enough to love all of this.

Sometimes there's no place *but* home

THE HUMAN SIDE
AL HELLER

Eighteen years after college, where I took my last official Communication Arts class, I have taken a refresher course. In real life.

I didn't exactly choose to. After a car hit me and broke my leg last month, my usual 100-minute commute became impossible. In order to keep working, I've grown keenly attached to on-line computers and modems, FAX machines and the call-waiting feature on my home telephone.

Communication Arts holds new meaning for me. What I took for granted in the office has become my work lifeline for the time being — not too unlike retailers, at headquarters and stores, who rely increasingly on new forms of communication in their day-to-day operations.

EDI; daily polling of stores and warehouses by headquarters mainframes; third-party claims processing; electronic planogramming; voice mail; credit card authorizations; even long-distance talks with suppliers, managers and staffs — all are crucial links to effective retail management.

Some readers don't have to think back too far to know how poor communications disrupts business. On the day I wrote this column, Jan. 4, AT&T construction workers accidentally severed a fiber optic cable in Newark, N.J. Sixty percent of long-distance phone and computer calls in and out of New York City that day didn't work.

Operations at airports, commodities exchanges, banks — and retailers — suffered.

The snafu couldn't affect face-to-face communication, however — that special art of making people feel important, truly understanding what they want and meeting their needs. I know a few people whom readers might recognize who deserve mention for their personal skills:

- George Jeffers, former Skaggs president who owns Price Less deep discounters in Sacramento. He cruises store aisles with an uncanny sense of when to approach customers. When he told an elderly shopper he would special-order a denture adhesive for her, the look of appreciation she gave him said it all.
- Sam Walton, Wal-Mart chairman, who exhorts his retail hourlies to "meet people half-way and treat them the way they want to be treated themselves." Grand openings and annual meetings often have the unrestrained tenor of revival meetings, with Walton whoopin' it up and building staff pride along the way through personal attention.
- Fred Canning, Walgreen board member and former president, who after meeting me for a moment on a Deerfield headquarters staircase, called me by name in a meeting the next day. Three months later, at NACDS Annual, we chatted warmly for a half-hour about this newspaper and his chain.
- Chris Visocan, a former clerk at Revco in Solon, Ohio, who deftly handled front-end transactions on her new scanner while she urged a motorcyclist-customer to be careful, charmed merchandise from a four-year-old who wouldn't listen to her mom, and discussed cactus with a woman buying potting soil.

Communications, high-tech or up-front and personal, is an art. Take this picture, for instance.

Some people like me better with my broken leg because I'm easier to reach: I'm a stationary target and I answer my own phone. I say to them and their like-minded colleagues that I'll have the last laugh. By the time you read this, I expect to be back at my usual frenetic pace. You missed your chance.

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It's been said before: Product innovation is the lifeblood of retail stores. In the following pages *Drug Store News* examines key areas of innovative activity for the '90s. The section is not meant to cover the full gamut of drug store categories. Instead it focuses on some current hotspots that are likely to have a powerful effect on the coming decade. They are: In-store photo labs, environmental products, diet aids/meal replacements, and the HBA categories of hair, skin and sun care.

Micro labs add dimension to on-site processing

By David Vaczek

Photographic micro labs promise to be the "foot-in-the-door" for retailers eager to build their film-/photo business with in-store processing.

Micro lab makers say the new labs are smaller, faster, easier to use and less expensive than their big brothers'—in-store mini labs.

Late last year, Gretag gave the new technology a strong boost with the launch of its Master Lab series of micros.

Like the micro lab unveiled by Print Technology early last year in its PHOTOGO franchise program, the Master Lab combines film processing and photo printing in one machine.

Bob Deerin, director of sales and marketing for Gretag's retail division, says several drug chains including Thrifty have installed the Master Lab.

The micro-lab pioneer, Print Technology, succeeded in capturing interest in the concept and sparked the trial installation of the French-made PHOTOGO machines in a half dozen chains.

As of the first of the year, PHOTOGO had 135 installations, with over 100 in mass merchant accounts.

Observers predict that mini-lab makers Noritsu, Fuji and Copal will soon unveil their own versions of micro technology.

Some advantages

Micros have certain advantages over minis for the retailer. With footprints under 10 square feet, they require less store space. Also, employees can be quickly trained, since most of the functions are automated. PHOTOGO's system takes the roll of 35mm film in one end and churns the prints out the other. Gretag's Master Lab requires the operator to hand load the processed film for printing. But it processes all the popular film formats in five print sizes.

Cost is another advantage. Micros require less than half the daily roll volume to provide an adequate pay back — less than 20 rolls compared with 40 to 50 rolls for most mini models in use.

Minis continue to have one leg up on micros: faster throughput. That's a distinct advantage for high-volume stores that need to insure one-hour or same-day service.

Despite the ability of micros to snatch away business, the major wholesale labs will be promoting their success.

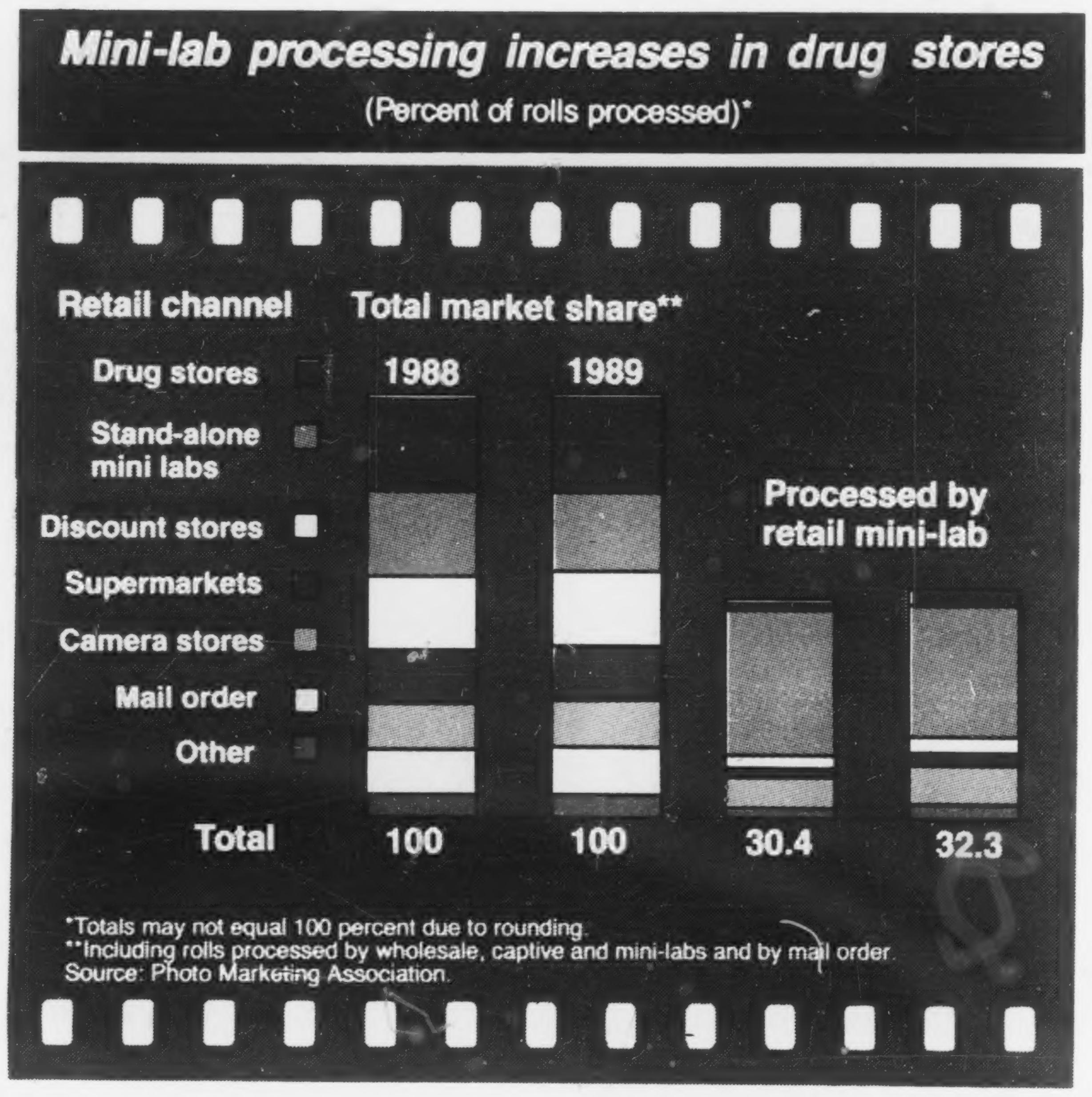
Guardian, for example, will be an official distributor for the Master Lab, providing a full marketing program. For Guardian, distributing the micros is a strategic move designed to cater to retailers' demand for same-day processing with a technology that is less threatening to their wholesale lab business than mini-labs, according to Paul Hoernschemeyer, vp-marketing.

Qualex, the largest wholesaler, "will be a major marketer of micro lab equipment," said Tom Broderick, general manager.

Micro lab makers say the labs are smaller, faster, easier to use and less expensive than their big brothers'—in-store mini labs.

Mini-lab processing increases in drug stores

(Percent of rolls processed)*



*Totals may not equal 100 percent due to rounding.
**Including rolls processed by wholesale, captive and mini-labs and by mail order.
Source: Photo Marketing Association.

Smaller, low-cost minis gain ground

New smaller and lower-cost mini-lab models, with more functions and more highly automated, are bidding for retailers' attention in the growing market for in-store photo processing machines.

With demand for same-day processing well established, minis can add a new dimension to retailers' film photo departments. Marketers say that minis have already captured as much as 50 percent of total photo finishing in the U.S.

Film industry experts agree that stores typically boost wholesale processing business 10 percent to 20 percent when a mini-lab is installed. That's because the in-store lab heightens the retailer's profile in film developing.

Smaller sized machines by Noritsu and Fuji, which feature easy-to-use technology, address drug chains' key concerns about space and user training.

Noritsu's QSS 1401 is less than 13 square feet for two pieces of equipment, the film processor and printer, a leap from the 40 square feet earlier models have occupied.

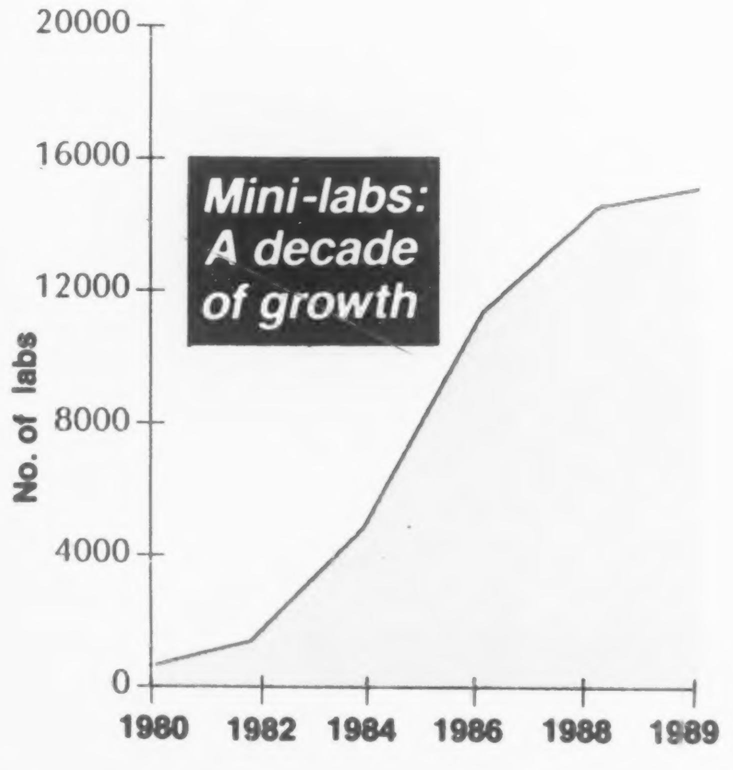
Standard features include a color negative scanner that automatically corrects negatives' color and density
and a carrier that automatically sets the proper printing channel for different brands of negatives. Noritsu, meanwhile, is readying introduction of a Model 1501, which will have the capability of printing 8 by 10 and 8 by 12 enlargements. Thus for $5,000 more than the Model 1401, the retailer is offering a service that before required him to buy a $50,000 enlarger.

Fuji this year rolled out the FA Compact II, with automatic features similar to Noritsu's in a footprint of 11 square feet. Noritsu's, though, is said to have a higher throughput.

The vendors expect mini-lab demand to continue. A photo trade paper reported last year Noritsu plans to boost production of its QSS line of film processing equipment by 50 percent with installation of robotics allowing unmanned nighttime operations.

For retail sites with sufficient demand, minis' high volume capacity is required.

Marketers say that minis have already captured as much as 50 percent of total photo finishing in the U.S.



Source: Photo Marketing Association.

Rite Aid ends 3rd qtr. with gains in revenue

SHIREMANSTOWN, Pa. — Rite Aid reported an 8.4 percent gain in corporate revenues, to $858.2 million from $791.7 million, and income from continuing operations of $21.6 million, or 52 cents a share, versus $4.1 million, or 10 cents a share, for the third quarter ended Dec. 1, 1990. A $22 million one-time pre-tax charge to earnings, a provision for the closing of the chain's video departments, reduced income from continuing operations last year by an after-tax amount of $13.4 million, or 32 cents a share.

Net income for the comparable 13 weeks one year ago was $22.5 million, or 54 cents a share, and included income from discontinued operations of $18.4 million, or 44 cents per share. Year-to-date net income last year was $67.1 million, including income from discontinued operations of $20.2 million, or 49 cents per share.

Revenues in the drug store segment advanced 8.3 percent, to $811.25 million from $748.97 million, for the third quarter. Net income increased 19.4 percent, to $19.7 million from $16.5 million, excluding last year's video provision.

Same-store sales in the drug store segment increased 7.3 percent for the third quarter and 7.1 percent for the year to date.

Corporate revenues year-to-date rose 8.6 percent, to $2.5 billion from $2.3 billion, and income from continuing operations increased to $68.3 million, or $1.65 a share, from $46.9 million, or $1.13 a share.

Revco reports 2nd-qtr. net loss; sales increase by 3.7 percent

TWINSBURG, Ohio — Revco D.S. reported a net loss of $23.5 million for its fiscal 1991 second quarter ended Nov. 17, 1990, compared with a $8.7 million in the same period last year. Sales rose a meager 3.7 percent, to $418 million, compared with $403 million last year.

Results for both periods exclude the 712 drug stores Revco divested over the past year in its downsizing program. With those stores, Revco's sales for last year's second quarter were $621 million.

Earnings before income taxes, reorganization items, interest and depreciation were $3.4 million for Revco's remaining 1,136 stores, compared with $20.8 million for the same period of fiscal 1990.

Revco chairman and ceo Boake Sells called fiscal '91 a "transition" year for the company. "Our operating performance has suffered as we have sought to implement several long-term strategies in the midst of bankruptcy reorganization and an economy and retail environment which have gone soft.

"We have implemented our computer systems chainwide; now the work begins of using these systems to their potential," Sells added. "We have divested 712 stores, and are in the process of developing market share from that tighter base. We have begun to remodel stores. Overall, we have pushed this organization for more change in one year than most see in five years."

Walgreens 1st-qtr. profits up thanks to high gross margins

DEERFIELD, Ill. — Walgreens announced that sales for the first quarter ending Nov. 30 increased 11.1 percent to $1.54 billion, while earnings rose 12.1 percent to $32.1 million, or 52 cents a share.

The company said profits were helped by higher gross margins, the result of better ad merchandise selection, and continued shrink control. On the other hand, overall expenses were up because of higher payroll rates, scanning rollout costs and increased health insurance. Those costs were partly offset by advertising costs, which decreased as a percentage of sales.

For the 38th consecutive quarter, pharmacy sales increased by 20 percent or more, this time at 21.5 percent.

MARKET DIARY:

Largest Dollar Gainer	American Stores	$ 2.25
Largest Dollar Loser	American Home Products	$- 5.88
Largest Percentage Gainer	Ketchum	30.00%
Largest Percentage Loser	Perry Drug	-17.95%

Advances	6
Declines	44
Unchanged	7
New highs	5
New lows	2

	Close 12/24/90	Close 1/9/91	Net Change	Percent Change
Drug Store News Index	2995.62	2887.32	-108.30	-3.62
Dow Jones Industrial Average	2621.29	2470.30	-150.99	-5.76
Standard & Poor's 500-Stock Index	329.90	311.49	- 18.41	-5.58
N.Y.S.E. Composite	180.01	170.97	- 9.04	-5.02
Value Line Index	194.86	188.15	- 6.71	-3.44

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 12/24/90	Closing Price 1/9/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.13	6.13	0.00	0.00	24	0.00	0.00	7.56	3.75
OTC	Arbor Drugs	ARBR	20.25	20.25	0.00	0.00	17	0.20	0.99	22.25	13.25
OTC	Big B	BIGB	8.13	7.50	-0.63	- 7.69	- 18	0.00	0.00	13.63	4.75
OTC	Drug Emporium	DEMP	7.63	7.00	-0.63	- 8.20	11	0.12	1.71	11.00	6.25
NYS	Fay's Inc.	FAY	8.63	8.25	-0.38	- 4.35	12	0.20	2.42	10.75	7.25
ASE	Genovese Drug (L)	GDX.A	5.63	5.88	0.25	4.44	11	0.24	4.09	9.88	5.50
NYS	Longs Drug Stores	LDG	35.75	34.75	-1.00	- 2.80	11	1.04	2.99	43.63	33.25
OTC	Medicine Shoppe	MSII	19.00	18.75	-0.25	- 1.32	17	0.24	1.28	26.75	15.50
NYS	Perry Drug (L)	PDS	4.88	4.00	-0.88	-17.95	67	0.00	0.00	9.88	3.88
NYS	Rite Aid Corp.	RAD	36.25	36.50	0.25	0.69	15	1.00	2.74	38.63	29.50
NYS	Walgreen Co.	WAG	51.25	50.88	-0.38	- 0.73	18	0.92	1.81	53.25	39.88
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	27.63	26.88	-0.75	- 2.71	14	0.40	1.49	29.63	20.50
OTC	Bindley Western Ind.	BIND	12.13	11.75	-0.38	- 3.09	16	0.04	0.34	14.25	8.63
OTC	Cardinal Distribution	CDIC	26.75	26.38	-0.38	- 1.40	23	0.08	0.30	29.00	15.88
OTC	Durr-Fillauer (s) (H)	DUFM	21.80	20.50	-1.30	- 5.96	16	0.24	1.17	22.63	15.63
ASE	Ketchum	KCH	1.25	1.63	0.38	30.00	- 1	0.00	0.00	3.38	1.25
NYS	McKesson Corp.	MCK	32.38	30.50	-1.88	- 5.79	14	1.60	5.25	38.38	26.88
ASE	Moore Medical	MMD	4.38	4.25	-0.13	- 2.86	- 5	0.00	0.00	9.50	3.50
NYS	Owens & Minor (H)	OMI	14.75	14.50	-0.25	- 1.69	20	0.24	1.66	15.13	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	43.75	40.38	-3.38	- 7.71	19	0.84	2.08	46.38	31.25
NYS	American Home Products	AHP	53.00	47.13	-5.88	-11.08	12	2.12	4.50	54.88	43.00
NYS	Baxter International	BAX	27.75	26.13	-1.63	- 5.86	- 90	0.64	2.45	29.50	20.50
OTC	Block Drugs Co.	BLOCA	38.75	37.00	-1.75	- 4.52	14	0.76	2.05	38.75	29.63
ASE	Bolar Pharmaceutical	BLR	2.50	2.25	-0.25	-10.00	- 2	0.00	0.00	18.38	1.88
NYS	Bristol-Myers Squibb	BMY	66.63	61.38	-5.25	- 7.88	33	2.40	3.91	68.00	50.50
NYS	Carter-Wallace	CAR	52.75	53.88	1.13	2.13	16	0.92	1.71	57.50	44.88
ASE	Columbia Labs	COB	4.88	4.50	-0.38	- 7.69	- 3	0.00	0.00	14.75	3.63
ASE	Forest Labs	FRX	49.13	45.00	-4.13	- 8.40	27	0.00	0.00	50.75	33.63
ASE	Halsey Drug	HDG	2.44	2.25	-0.19	- 7.71	225	0.00	0.00	5.69	2.13
NYS	ICN Pharmaceutical	ICN	2.88	2.63	-0.25	- 8.70	0	0.00	0.00	5.25	2.50
ASE	Lee Pharmaceutical	LPH	0.88	0.88	0.00	0.00	- 3	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition	PLI	7.88	7.63	-0.25	- 3.17	9	0.00	0.00	12.63	6.75
NYS	Lilly Eli Co.	LLY	74.25	69.75	-4.50	- 6.06	19	2.00	2.87	90.38	58.75
NYS	Marion Labs (H)	MKC	35.25	33.50	-1.75	- 4.96	23	0.80	2.39	36.25	21.00
NYS	Merck Co.	MRK	87.13	82.25	-4.88	- 5.60	19	2.24	2.72	91.13	67.00
NYS	Mylan Labs	MYL	19.75	17.13	-2.63	-13.29	19	0.20	1.17	24.75	13.75
NYS	Par Pharmaceutical	PRX	4.13	4.13	0.00	0.00	- 3	0.00	0.00	8.25	3.38
NYS	Pfizer Inc. (H)	PFE	80.75	75.25	-5.50	- 6.81	17	2.40	3.19	81.75	54.50
NYS	Rhone-Poulenc Rorer	RPR	68.38	67.63	-0.75	- 1.10	- 43	0.84	1.24	78.25	56.00
NYS	Schering Plough	SGP	45.13	42.38	-2.75	- 6.09	18	1.12	2.64	50.75	37.00
NYS	Syntex Corp.	SYN	57.88	54.75	-3.13	- 5.40	17	1.60	2.92	63.75	46.75
OTC	Taro-Vit Industries	TAROF	2.88	2.88	0.00	0.00	- 48	0.00	0.00	3.13	0.88
NYS	Upjohn Co.	UPJ	38.63	35.63	-3.00	- 7.77	19	1.16	3.26	44.63	33.00
NYS	Warner-Lambert	WLA	66.88	62.50	-4.38	- 6.54	18	1.52	2.43	70.38	49.63
OTC	Zenith Labs	ZENL	5.50	5.50	0.00	0.00	0	0.00	0.00	9.50	3.75
Other retailer transactions											
NYS	Albertson's (H)	ABS	35.88	33.88	-2.00	- 5.57	21	0.48	1.42	37.75	24.38
NYS	American Stores	ASC	53.00	55.25	2.25	4.25	13	1.12	2.03	71.50	42.63
NYS	Giant Food	GFS.A	27.50	27.50	0.00	0.00	14	0.60	2.18	29.75	21.13
NYS	Great Atlantic&Pacific Tea	GAP	43.63	41.00	-2.63	- 6.02	10	0.80	1.95	59.63	37.75
NYS	Kmart	KM	28.00	26.88	-1.13	- 4.02	16	1.72	6.40	37.00	23.38
NYS	Kroger	KR	13.88	13.13	-0.75	- 5.41	50	0.00	0.00	17.00	10.63
NYS	Melville Corp.	MES	42.00	40.25	-1.75	- 4.17	11	1.40	3.48	57.75	32.75
OTC	Fred Meyer	MEYR	11.75	11.50	-0.25	- 2.13	- 58	0.00	0.00	18.25	10.00
NYS	Penney, JC	JCP	43.38	42.88	-0.50	- 1.15	7	2.64	6.16	71.25	37.38
NYS	Safeway	SWY	12.25	12.00	-0.25	- 2.04	30	0.00	0.00	16.88	10.25
NYS	Smith's Food & Drug	SFD	28.13	29.63	1.50	5.33	23	0.28	0.95	34.50	23.00
NYS	Wal-Mart	WMT	31.50	28.50	-3.00	- 9.52	26	0.12	0.42	36.75	20.25

Note: Durr-Fillauer completed a 5-for-4 stock split.

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

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DRUG STORE NEWS® for the PHARMACIST

VOL. 1/NO. 1 JANUARY 21, 1991

SPECIAL REPORT

Consultation best medicine for seniors

By Susan Ball

Sheila Pender, a pharmacist in a Revco store in Pawley's Island, S.C., clearly remembers the incident, which happened soon after she graduated from pharmacy school 2½ years ago.

An elderly man came in regularly for nitroglycerin refills, which his doctor had instructed he take "for chest pains." Pender began to wonder, and finally asked, whether he was using up the medicine or was perhaps storing an extra supply. He was taking it regularly, he replied, and no, he wasn't sure his doctor knew this. When she phoned, the doctor said he wasn't aware and sent the man for extensive tests. It turned out he had severe blockage and could have had a heart attack at any moment.

"That got me to watching what people take *very* careful

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Bermuda drug store gets new facelift but maintains 90-year tradition. 17

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Patient consultation: Myth or reality?

By James Frederick

In the 1990s, pharmacy consultation will be everybody's hot button.

The dispensing of professional guidance along with drugs has always been, in the words of National Association of Retail Druggists spokesman Todd Dankmyer, "part and parcel of the profession." But now, in the glare of cost-cutting efforts by government and private health care programs and growing moves to mandate some form of consultation, both independent and chain pharmacies are re-evaluating their commitment and their effectiveness in communicating with their patients.

"Why are 50 percent of patients taking medications the wrong way?" asks Ernest Boyd, executive director of the Ohio Phar-

Continued on page 13

Strong R & D efforts focal point of the '90s

By Harold Cohen R.Ph.

NEW YORK — Despite an FDA scandal that sent shock waves throughout the pharmaceutical manufacturing community and slowed drug approvals to a crawl, branded and generic pharmaceutical manufacturers continue to pump large sums of money into research and development.

While federal officials weed out the last of the corrupt participants in the industry-wide drug approval scandal, the FDA has reorganized, naming Dr. David Kessler as commissioner. Hopefully, the necessary process of moving the hundreds of new and abbreviated new drug approvals through a very clogged pipeline will begin to pick up steam.

Good news

That would be good news for the scores of generic and branded pharmaceutical companies that have invested millions into developing and bringing new drugs to market. According the Pharmaceutical Manufacturers Association (PMA), branded pharmaceutical manufacturers (also referred as PMA companies), spent some $8.2 billion in 1990 for worldwide research and development of human and veterinary drugs.

New product introductions from this sector of the industry is particularly vital because of expected losses from drugs going off patent over the next five years.

According to David Saks, an analyst with Wedbush Morgan Securities, the market for "brand name generics and multi-drug source products could double to $16 billion in sales." Saks credits much of that gain to "$10.7 billion worth of brand name prescription drugs losing patent protection between 1990 and 1995." (See *chart*)

Top 15 selling drugs losing patents

Product	U.S. patent expiration	Est. U.S. sales 1989 (million)
Zantac	2002	$1,200
Vasotec	2000	600
Cardizem	1992	578
Tagamet	1994	570
Capoten	1995	500
Mevacor	1999	500
Ceclor	1992	425
Prozac	2001	425
Procardia	1991	420
Naprosyn	1993	410
Tenormin	1991	375
Xanax	1993	358
Seldane	1994	320
Feldene	1992	310
Voltaren	1993	300

Source: David Saks, Wedbush Morgan Securities

The best selling drugs fall into three therapeutic categories; cardiovascular, central nervous system, and anti-infectives. According to PMA, sales of products in these three categories alone account for approximately 60 percent of all prescription drugs sold in the U.S.

Cardiovascular research

According to a 1989 PMA survey of drugs in development, 48 companies spent $1.7 billion (or 27 percent of total research dollars) to develop 91 medicines for heart disease, hypertension and stroke.

The bulk of the industry's investment in cardiovascular research is going toward the treatment of hypertension.

Alzheimer's disease

Drugs in development for Alzheimer's disease are not expected to cure this deteriorating condition, but ease its symptoms. Approximately four million Americans suffer from Alzheimer's and, according to Edward F. Truschke, president, Alzheimer's Association.

Many of the drugs being developed for this disease fall into a category known as cholinesterase inhibitors. They are designed to interrupt the action of cholinesterase enzyme, the enzyme that blocks acetylcholine, the neurotransmitter responsible for sending messages between brain cells.

Diabetes

Approximately 11 million Americans suffer from diabetes. According to John F. Beary, III, M.D., senior vice president for Science and Technology, PMA, diabetes researchers are concentrating their efforts in three major areas: 1. Type I (insulin-dependent) diabetes; 2. Type II (non-insulin-dependent) diabetes and; 3. prevention of complications in the eyes, nerves and blood vessels associated with both Type I and Type II diabetes.

AIDS

As of this past summer, there were 77 drugs being investigated to treat AIDS, AIDS-related diseases, and opportunistic infections (OI) common to AIDS victims (OI account for up to 90 percent of all AIDS-related deaths).

According to PMA, 15 medicines under investigation to treat AIDS fall into the category of biotechnology drugs. This category is comprised of several drug subcategories.

Generics

Generic drug approvals, which have virtually come to a standstill because of the recent FDA probe, will pick up and continue to grow steadily as patent protection on the top 100 drugs expire over the next decade.

According to Wedbush Morgan Securities analyst David Saks, in 1990 alone, generics accounted for approximately 20 percent of the $40 billion in prescription drug sales. His forcast is for the generic market to double as a "colossal pileup of generic ANDAs" finally get approved.

Correction

Drug Store News incorrectly reported in its Dec. 10 issue that lobeline was among the more than 200 over-the-counter drug ingredients banned by the Food and Drug Administration recently.

Although a number of ingredients used in OTC smoking deterrent products were removed from the market, FDA has taken no action with respect to lobeline. Indeed, lobeline remains a key ingredient in Advantage Life Products' Cigarrest, one of the nations's leading nonprescription smoking deterrent programs.

Scam of the month

The following scam has been reported to have surfaced throughout several Midwest states. It involves a clever and audacious professional patient who had learned to mimic foreign accents and master medical nomenclature related to his scam. By use of the phony accent, the con artist could claim alleged misunderstanding should any problem develop.

The con artist would arrive in a metropolitan community, rent a motel room then and use local phone books to plot a list of suburban area pharmacies which would become his targets. Using his fake accent, calls would be made to drug stores and the scam would begin.

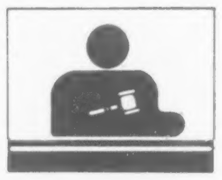
Attempts were made to order a variety of prescription drugs for a phantom patient. His spiel was usually the same. "Hello, this is Doctor (strange name). I need your help. A short while ago I just happened to be at a local service station (or garage, automobile agency, etc.). A young mechanic had been badly burned in a gasoline explosion. Of course, I did what I could before the ambulance arrived. When I returned to my office the young man's wife, nearly hysterical, called. Her husband has refused to be admitted to the hospital (lack of insurance, cost, etc.). He is now at home and in pretty bad shape. I agreed to see the young man as soon as I can. In the meanwhile, the wife will be coming to your store. Please have the following ready for her."

At this point, an order is given for a variety of medications and materials appropriate for severe burns, then, almost as an after thought --"Oh yes, he is probably in terrible pain, will need some ——— ———."

Dutifully, the "doctor" then provides his office address (usually a large medical complex) and a DEA number. Within minutes after completing his final call, the con artist begins to deliver his girlfriend (the "patient's" wife) to each store which has agreed to cooperate. Once all the prescriptions are collected, all nonnarcotic materials are discarded. The analgesics are immediately sold to local street dealers. By the day's end, the con artist and his friend are safely out of town and on their way to the next.

Editor's Note: This particular con artist was eventually apprehended and charged with numerous felonies. He is currently serving a long sentence in a Missouri correctional facility.

You be the judge



Every pharmacist, at one time or another, is faced with a customer who has become addicted to medication. This case helps to answer whether or not the pharmacist/pharmacy and/or the drug's manufacturer can be held liable for one's addiction.

New York — This case concerns a customer addicted to Talwin, which she had been taking since 1968 for migraine headaches. In 1973, the patient told the doctor she was taking a trip and he prescribed Talwin injectable, syringes and Dramamine. The drug and syringes were purchased from a drug store over several years, despite their alleged nonrefillable status (according to testimony, the physician stopped treating the patient in 1975). By 1980, she was injecting Talwin every hour. Eventually she admitted to a hospital. Even as an outpatient during this period, she was able to refill Talwin at her drug store without authorization from the doctor. As a result of repeated injections, she suffered permanent damage to her leg and thigh. She sued.

The jury awarded the plaintiff $650,000. Liabilities were apportioned as follows: 65 percent to the pharmacy, 18 percent to the plaintiff and 17 percent to the manufacturer. The manufacturer argued that, based on evidence of wrongdoing by the pharmacy and plaintiff herself, it should not be held responsible. Were the liabilities apportioned fairly?

RESULTS — During appeal, the court said it was obvious that the pharmacy illegally and improperly refilled the Talwin and syringe prescriptions as well as maintaining improper records. The court ruled there was enough evidence presented that the plaintiff's actions also contributed negligence (for example, she admitted that she simultaneously refilled two separate prescriptions for Talwin at two different pharmacies without telling either of the pharmacists). Based on all the evidence presented to the lower court, the appellate court ruled that the trial court erred in its judgment. The matter was remanded for a new trial.

Bikowicz v. Sterling Drug, Inc. 557 N.Y.S.2d 551 (AD.3 Dept. 1990)

Source: *Rx Ipsa Loquitur*, a publication of The American Society For Pharmacy Law

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The newspaper of drug store retailing Feb. 2,1991

DRUG STORE NEWS

Vol. 13 No. 3 A Lebhar-Friedman publication

LATE NEWS

• WARREN, Mich. — Continuing its steady expansion effort, F&M Distributors has signed its 100th store lease agreement, and will have 95 units open in the Upper Midwest, North Central and Mid-Atlantic regions by the end of January. The deep-discount drug and HBA chain announced in 1986 its plans to have 100 units open within five years.

FEATURES

Back-to-school

BTS/Stationery chalks up a hit

Retailers agree already profitable BTS/stationery departments are being aided by imaginative products. Page 17.

The retail heat across border

Western Canada's drug chains are prospering despite heavy competi ent taxi

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SECOND CLASS

Duane Reade eyes record expansion

Duane Reade

Duane Reade, the New York City discount drug store chain with the highest sales per square foot in the industry, is poised for its strongest expansion year ever.

A source says the 33-unit chain hopes to open at least 10 stores this year and has four more set to open this spring.

One store will be in Newark, N.J. and it will be the first Duane Reade to open outside of New York. Another will be a second Bronx store on Fordham Rd. while the remaining new openings will be in metro-New York, Duane Reade's core market. One of these stores will be downtown in the Wall Street area and the other will be in mid-town at 57th St. and 5th Ave.

At Duane Reade, however, management does not anticipate going into Newark or the Bronx as a way of expanding Duane Reade's geographic horizon. One source said they view markets like Newark and the Bronx as "extensions of New York City," meaning the store locations follow the company's formula of high traffic locations in bustling neighborhoods. The Newark store, for example, is not located on economically depressed Market St., but on Broadway, in a new office complex.

Duane Reade, which is one of the few drug chains able to describe 1990 as "a great year" for sales growth, is able to prosper for a variety of reasons. In addi-

See **Duane Reade** *page 69*

Rite Aid wins Wilczynski suit; action against Ohio Rx board possible

By Al Heller

SHIREMANSTOWN, Pa. — One down, more to go.

Melvin T. Wilczynski, the central figure in a bribery case against Rite Aid president Martin Grass, has apologized in a letter for his actions that led to Grass's August 1989 indictment and July 1990 trial. He also forfeited the $33,249.93 that Rite Aid owed him under a severance contract the chain acquired with its April 1989 purchase of 99 Peoples Lane division stores. And he was ordered to pay all court costs.

So ends the civil defamation suit brought against him by Rite Aid.

Book is closed

Grass told *Drug Store News* "this closes the book on Wilczynski. Wilczynski and Rite Aid and Wilczynski and Martin Grass are settled. Not so with the pharmacy board staff."

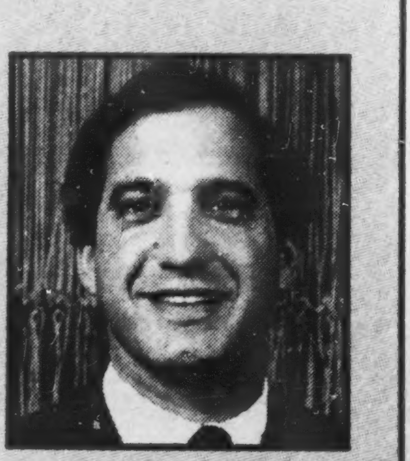
Rite Aid and Jones, Day, Reavis & Pogue, the Cleveland law firm, "are exploring all alternatives," Grass said, of possible civil action he or his chain may take against other Ohio Board of Pharmacy members. "Justice takes awhile. There is no urgency or hurry on our part . . . It could take six months before we decide."

In the interview, Grass hinted that other Ohio state agencies might be investigating the board.

"This case serves notice to the Ohio Board of Pharmacy that no drug chains—especially Rite Aid—will let them get away with selective enforcement. The days of coziness between board staff and pharmacy board members is over," said Grass, who characterized his dealings with pharmacy boards in other states as "arms-length, not adversarial."

See **Rite Aid** *page 69*

> ***'This case serves notice to the Ohio Board of Pharmacy that no drug chains—especially Rite Aid—will let them get away with selective enforcement. The days of coziness between board staff and pharmacy board members is over.'***
>
> ***—Martin Grass***


Grass

Peoples' Eisenberg leaves to form consulting firm

Eisenberg

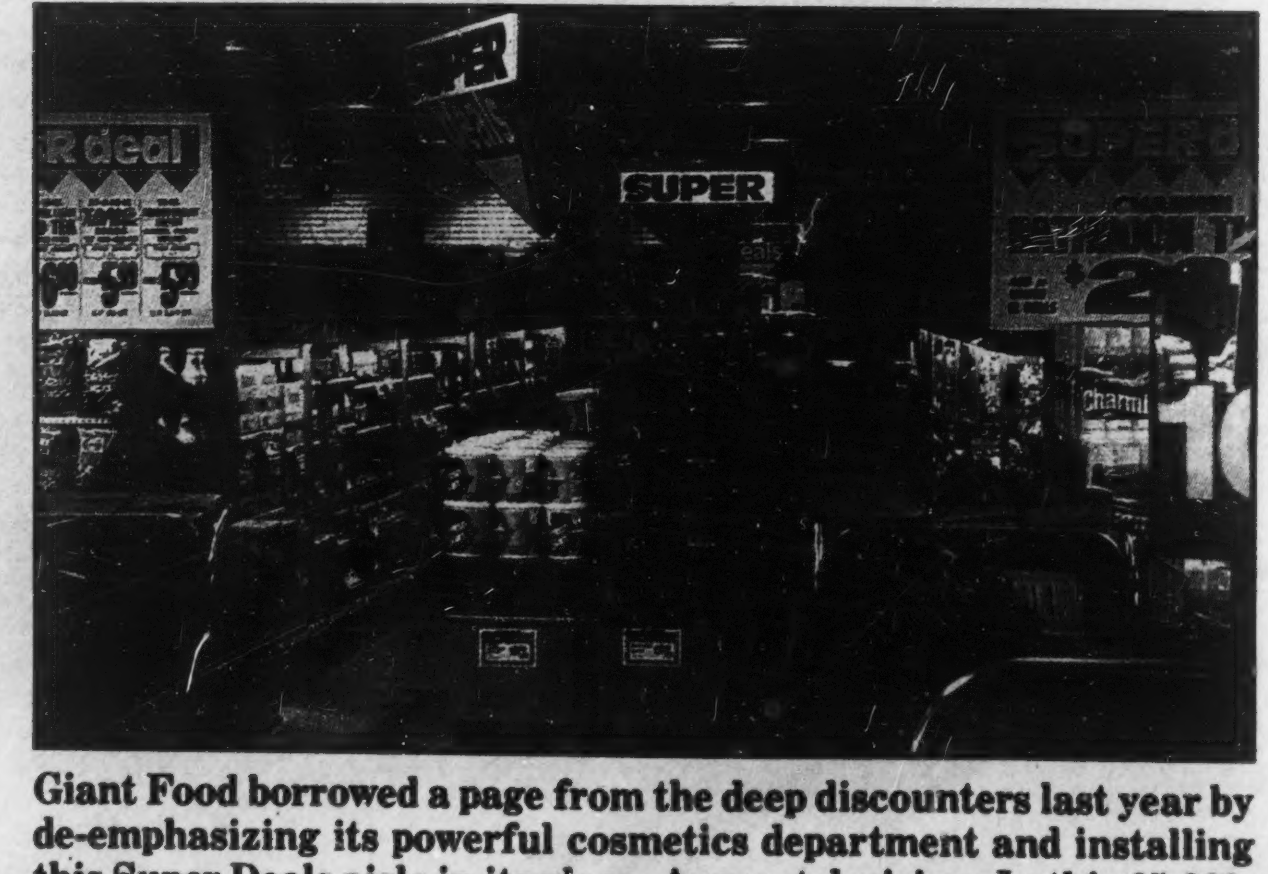
ALEXANDRIA, Va. — David Eisenberg, who rose from a summer job as a teenage soda jerk at Peoples to president of the chain 38 years later, left his job last month to form his own consulting firm.

Eisenberg's departure was anticipated, the result of the continuing consolidation of much of Peoples' headquarters-level operations at CVS in Woonsocket, R.I. Melville Corp., CVS's parent company, purchased the 450-store mid-Atlantic chain last year. Other top Peoples executives will be leaving as the transition period continues through June.

"During the transition period David's support was invaluable to everyone in the company and in particular to me personally," said Harvey Rosenberg, president

See **Eisenberg** *page 69*

Why fret about margins if sales go outasight?



Giant Food borrowed a page from the deep discounters last year by de-emphasizing its powerful cosmetics department and installing this Super Deals aisle in its place. A smart decision: In this 65,000-square-foot store in Bailey's Crossroads, Va., weekly sales for the aisle soared from $7,000 to $18,000. The chain reportedly plans to add another Super Deals aisle featuring frozen food specials. Giant began the experiment in this prime, center-store location with hot HBA items, then added food across the aisle. Tables in between feature a mix of sizzlers with the emphasis on paper and detergents.

NEWS IN BRIEF

Walgreens pharmacy veteran dies

DEERFIELD, Ill. — Henry Cade, Walgreens director of public affairs and professional relations for the past eight years, died Jan. 10 at St. Josephs' Hospital, Chicago, after an illness. He was 64.

A pharmacist who had joined Walgreens in 1959, Cade, in his most recent post, was responsible for the company's professional relations with the pharmaceutical industry, and for Walgreens' corporate giving, or philanthropy, program.

"He was very interested in the whole universe of pharmacy," said Edward King, Cade's good friend, and Walgreens' director of government and corporate relations.

"Henry was very dedicated to the pharmacy profession—all 'modalities' of the profession, as he would say," said King.

Cade's many board positions included terms as the president and chairman of the National Association of Boards of Pharmacy, and as chairman of the Illinois State Board of Pharmacy, which, in 1987, had named him pharmacist of the year. Last year Cade received the Harold W. Pratt Award from the National Association of Chain Drug Stores and was named honorary president of the Illinois Pharmacists Association.

Rite Aid makes exec appointments

SHIREMANSTOWN, Pa. — Rite Aid has promoted Timothy Noonan to executive vp of drug store operations. Noonan, who joined Rite Aid as a pharmacist in 1969, had been senior vp.

Also, Alex Schamroth, most recently senior vp of pharmacy operations, was named executive vp, over the pharmacy duties. Schamroth joined Rite Aid as a pharmacist in 1973.

In a third promotion, Philip Markovitz, who joined Rite Aid in 1971 as real estate director, was promoted to senior vp of corporate real estate, from vp of real estate.

Pay Less names 2 to new merch. post

WILSONVILLE, Ore. — Two persons have been named to a newly created Pay Less Drug Stores NW post of Director of Merchandise as part of a management restructure, after Tim McAlear was named president and ceo last month.

Andy Striefel, most recently merchandise manager for non-drug related categories, and Bill Wilson, most recently merchandise manager for categories including cosmetics, toiletries and OTC, were named to the new position.

Steve Elliot, most recently a merchandiser, was promoted to replace Striefel as merchandise manager for non-drug areas. Jerry Howell, also a merchandiser, was similarly promoted to replace Wilson.

In other appointments, Jim Gleason was named corporate controller, and Ann Oldenburg was named corporate treasurer. Gleason was most recently budget and financial planning manager. Oldenburg was cash department manager.

Striefel and Wilson will report to Jerry Kuske, who was one of three vice presidents named as senior vp last month.

DrSN, DSN sponsoring B-T-S seminar

NEW YORK — *Drug Store News* and its sister publication, *Discount Store News*, will sponsor a seminar on the stationery category during the Back-To-School Merchandise Show at the Javits Center here Feb. 9-11. The panel discussion is scheduled for 8:30 a.m. to 9:30 a.m. Feb. 10 in Room 1A03 at Javits Center. The seminar is open to all show registrants.

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Snyder's new service center says loud 'yes' to shoppers

By Susan Ball

MINNEAPOLIS — Snyder Drug's new prototype store, which opened Jan. 13 in suburban Eden Prairie, says "yes" to service loud and clear through a variety of new features.

Here are some highlights:

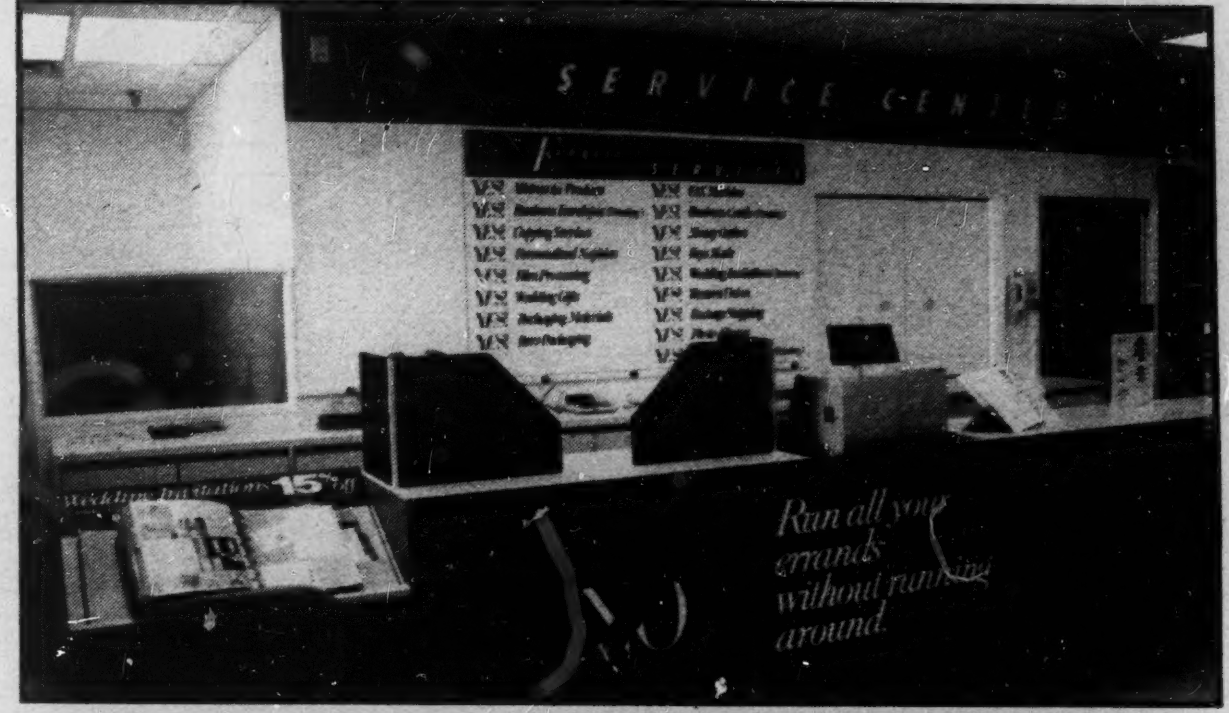
- "Yes Express" — Snyder's new service and merchandise center up front offers customers: packaging and shipping; faxing; customized printing of wedding and other social invitations, business stationery and the like; photocopying; notary public; Western Union money transfers; money orders; photofinishing; key making; postage stamps; discount movie tickets; and gift wrapping.

Separate staff

Really a store within a store, Yes Express has a separate staff and a wide selection of distinctively Minnesota gift ideas — like wild rice, maple syrup, artwork by local artists and gift baskets for businesses and individuals. It is positioned next to the manager's office for easier control and access and occupies 700 of the store's 8,000 square feet.

"Our goal is to answer customers' requests with a 'yes' every time," said vp of retail operations Mike Pan. If a local business owner, for example, wants to send a gift to a client in California, Snyder not only can say "Yes, we have some really distinctive gifts you can purchase," but can also giftwrap, package for mailing, insure and ship the gift directly from the store.

The centers, which will be rolled to more stores, will help Snyder set itself apart from its non-locally run competitors as a Minnesota company and a source of Minnesota merchandise, said Don Beeler, Snyder's chairman, president and ceo. He also foresees using information gathered through the stores' new POS and pharmacy computer systems for direct-marketing of Minnesota-themed gift packages and other merchandise.



Yes Express is literally a 'store within a store.'

Service-oriented cosmetics counter is staffed by cosmetics consultant who maintains detailed files on store's customers.

- Service-oriented cosmetics department — staffed by a trained, certified cosmetics consultant who regularly conducts demonstrations and makeovers. The cosmetician keeps a card file on customers' skin types, product and color preferences, and keeps her customers informed of upcoming events they might be interested in. She might, for example, drop a customer a postcard to let her know when her favorite eye shadow goes on sale. The department has a bullpen display case and its own register.
- STARS — As *Drug Store News* recently reported, Snyder's tested STARS (Snyder's Total Automated Retail System) in six stores and, with the Eden Prairie prototype store, is starting to roll it out chainwide. "The initial merchandise setup (in the new store) went much faster because we didn't have to price ticket anything," said vp of information services John Stubstad. "With sales information STARS tracks, we can now closely monitor our new customers' preferences and buying habits. Then we can quickly adjust and customize our merchandise mix, inventory levels and promotional strategies for the new store."
- Communications-designed pharmacy — features a newly upgraded pharmacy computer system and fine-tuned, patient-oriented layout, as well as a new patient-information labeling system. (See the Feb. 19 issue of *Drug Store News For the Pharmacist*.)

The Eden Prairie store is Snyder's 63rd corporate unit. The chain has a total of 217 corporate and independent stores in the upper Midwest.

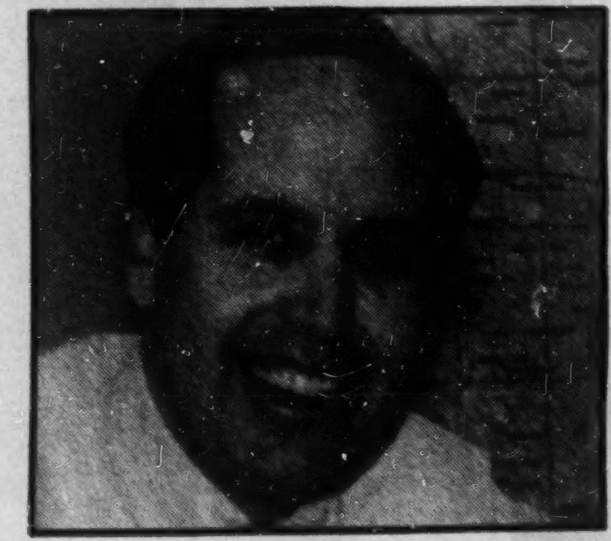
Thrifty names 3 to key posts

LOS ANGELES — Thrifty Corp. named Philip Maslowe executive vp and chief financial officer, as part of its ongoing management restructure.

In another move, Dan Seigel, current Thrifty president, will take on the additional responsibilities of chief executive officer, according to James Ukropina, chairman of Pacific Enterprises, Thrifty's parent company.

Seigel also announced that Richard Dortch will be the new president of Thrifty's Pay 'n Save Drug Stores. Dortch had been vp and general manager of the 124-store, Seattle-based chain.

Dan Seigel



Richard Dortch

Siegel's added chief executive title "shows our confidence in the steps he has taken to begin restoring Thrifty to its historic levels of profitability," said Ukropina.

Maslowe joined the Thrifty team February 4 from the Vons Companies, Inc., where he had been vp-financial controls and analysis, and later group vp.

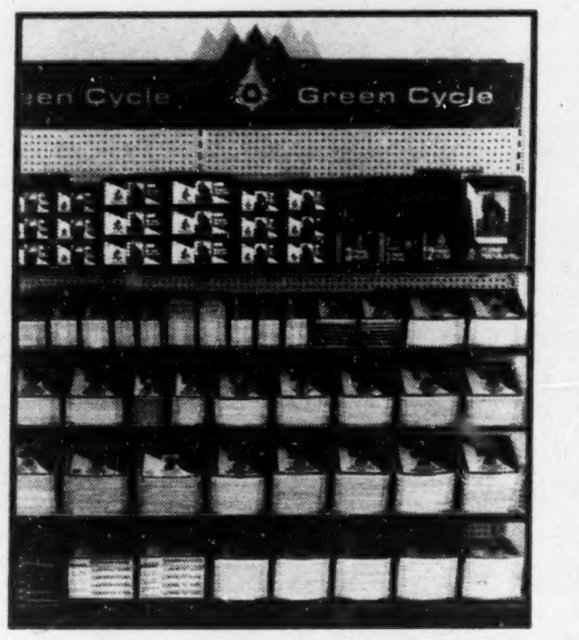
B-T-S's product pipe is flowing green

Continued from page 17

cled products; Union Camp's Vista line of legal pads, wirebound notebooks and wireless books; Esselte Pendaflex's EarthWise home office line; and an assortment of recycled school supplies from Plymouth. The list keeps growing.

Different interpretations

While "a rose is a rose is a rose," there are many interpretations of the term "recycled paper." Carolina Pad lays claim to having the maximum recycled material in its Cycle II line, which contains 100 percent recycled fiber and 100 percent post-consumer waste. Other vendors' recycled paper lines vary in percentages of recycled material and post-consumer waste content.



Mead's Green Cycle product line is made from 50 percent recycled paper.

Consumer education

Having unraveled the mysteries of environmental terminology themselves, some manufacturers have set about educating the consumer, which not only helps inform the public but also serves as a potent marketing strategy.

Both Carolina and Stuart Hall include a page in the front of many of their recycled notebooks and pads, explaining recycling terms and driving home the importance of conserving natural resources. Both, for example, define "post-consumer waste." In Stuart Hall's words, it's " 'used' paper, like newspaper and computer paper. It's paper that would normally go in your garbage and end up in a landfill."

Carolina Pad's fact sheet points out that "one ton of paper made from 100 percent wastepaper. . .saves 17 trees, 4,100 kilowatt hours of energy, 7,000 gallons of water, 60 pounds of air-polluting effluents, three cubic yards of landfill space [and] taxpayers dollars- . . .for waste disposal."

Higher price points

Price points of recycled paper products are generally running higher than comparable nonrecycled products—sometimes as much as 30 percent—although some vendors say they're not passing the whole cost along. It boils down to economies of scale and supply-and-demand issues, vendors say. As recycling paper mills—which today are capable of producing only a fraction of the paper tonnage that virgin-fiber "supermills" can produce—expand and install larger-capacity paper machines, the price of recycled paper will drop. Carolina Pad points out in its fact sheet that recycled papermaking is a cheaper process than nonrecycled papermaking, and later adds, "Increased demand will result in more recycle mills and lower prices for recycled paper."

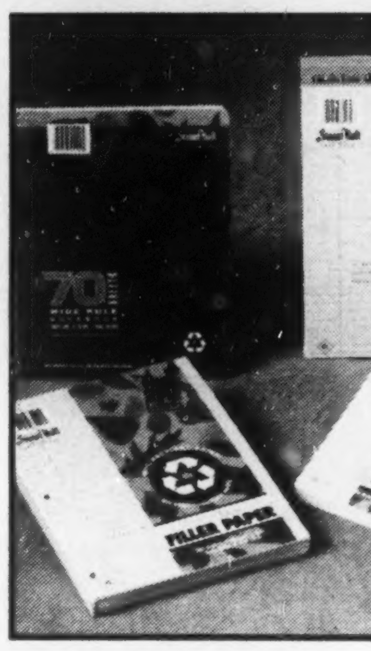
Green products are not only paper

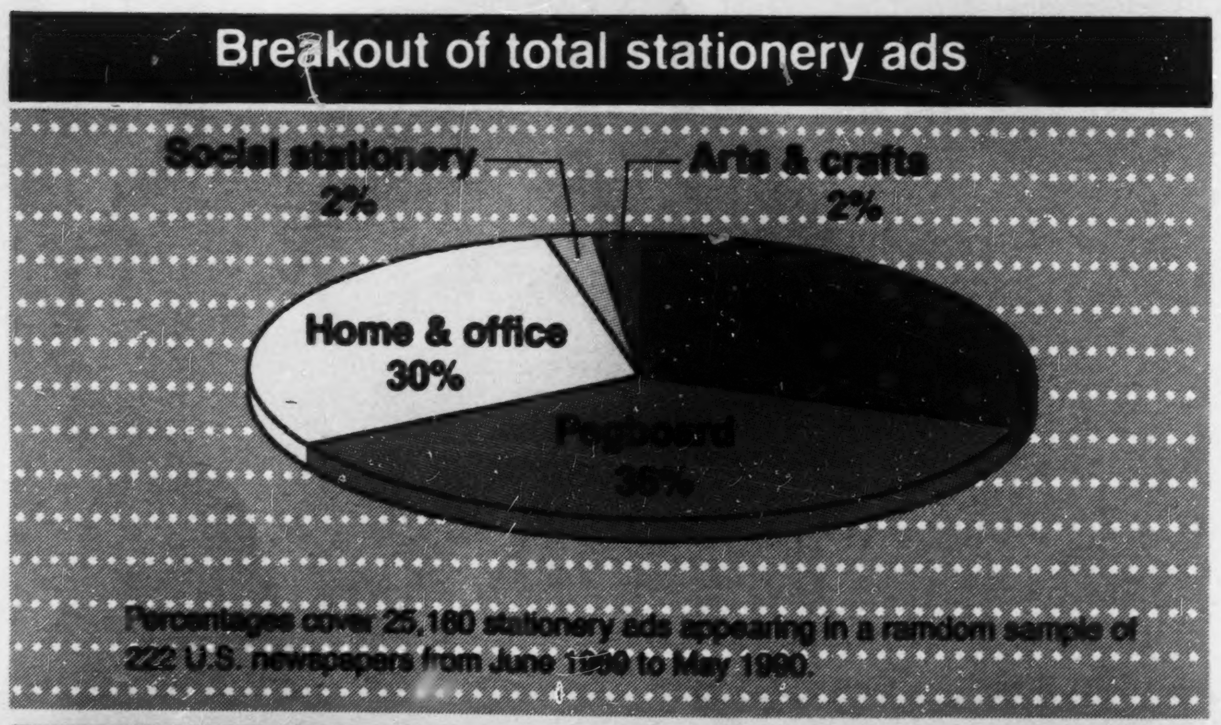
he "green" trend isn't confined to paper stationery products. Here's a sampling of other new environmentally friendly items in the category:

- In mailing supplies, Tape Inc. is introducing Quilt Wrap and Shoksorb, both made of 100 percent post-consumer recycled fiber.
- W.T. Rogers is launching an eight-product line of home office products called Regeneration, composed of 50 percent reprocessed plastic. (The plastic is pre-consumer molded material that's broken down, reground and rerun through the manufacturing process. Regeneration's packaging is printed on recycled paper.
- Eldon has three products for the Back-to-School season made of 25 percent post-consumer recycled plastics.
- Manco offers self-stick notes (50 percent recycled paper with at least 10 percent post-consumer waste content).
- Super Glue claims that the blister-card packaging of its new Stay Fresh glue five-pack is the first packaging in the industry to have both blister and card made from recycled materials.
- Acme United's Kleen Earth line includes rulers, scissors and shears for school or office made with discarded styrofoam coffee cups, school trays, burger containers and the like. Waste is transformed into rulers and scissor handles.
- Recycled Paper Products has created Earth Day cards for environmentally concerned consumers to send April 22 to friends or to those they would like to nudge toward greater awareness.

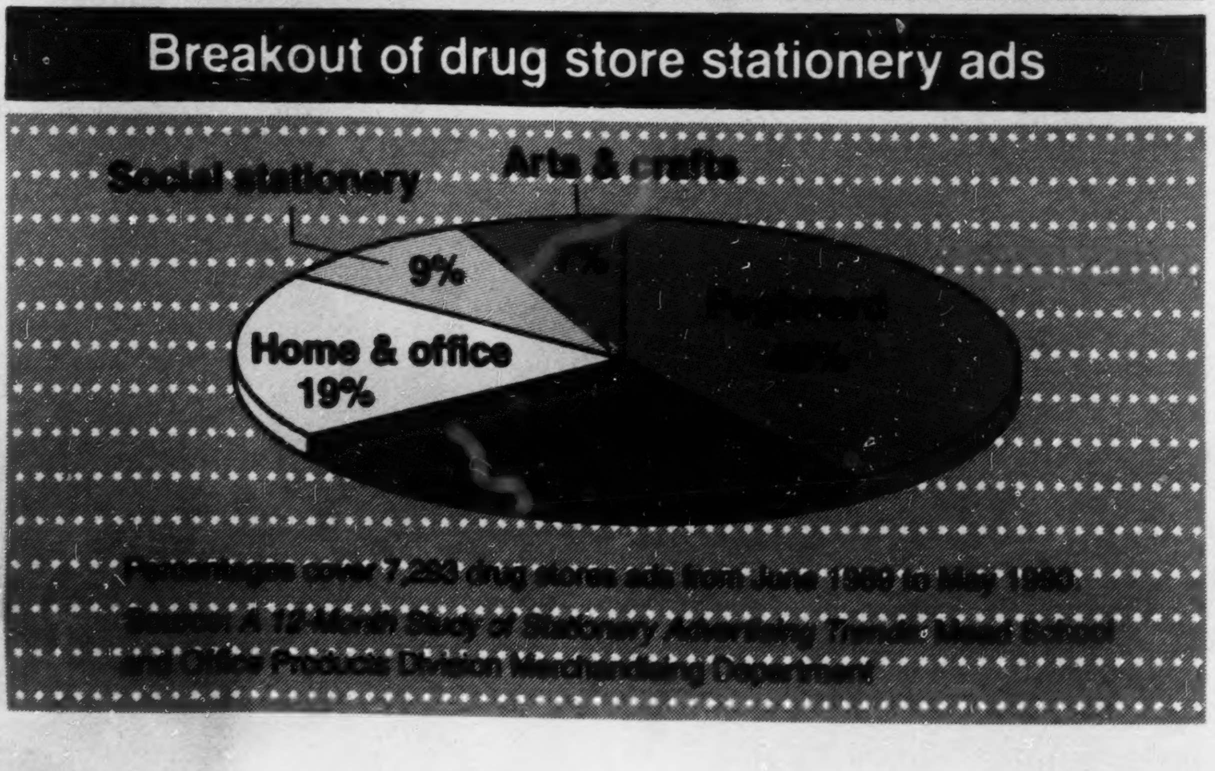
Some manufacturers have also arranged tie-ins with environmental groups: Esselte Pendaflex, for example, offers to make a $1 contribution to the consumer's choice among three environmental funds for each EarthWise boxflap sent in, up to $100. Plymouth is unveiling recycled school and preschool products with National Wildlife Federation.

Stuart Hall's Green Leaf line comes with a paper recycling fact sheet.





Percentages cover 25,160 stationery ads appearing in a ramdom sample of 222 U.S. newspapers from June 1989 to May 1990.



Percentages cover 7,293 drug stores ads from June 1989 to May 1990. Source: *A 12-Month Study of Stationery Advertising Trends:* Mead School and Office Products Division Merchandising Department

Makers study B-T-S trends

ome manufacturers are undertaking ambitious projects to throw light on the category's dynamics. Mead's merchandising department, for example, recently completed a yearlong study of stationery advertising in five channels of distribution (drug stores, mass retailers, food stores, department/variety store and deep discount/warehouse/office supply outlets), called "A 12-Month Study of Stationery Advertising Trends." The study involved the tracking and analyzing of stationery advertisement tear sheets (ROP and circulars) from 222 newspapers around the country for a year. A total of 25,000 stationery ads were analyzed.

The aims were to find out who advertises stationery products, which products are advertised most often, what channel advertises the most (and least) and when most advertisements appear. By gaining a better fix on how stationery is promoted, the authors state, "we can make more informed decisions about planning promotional strategies

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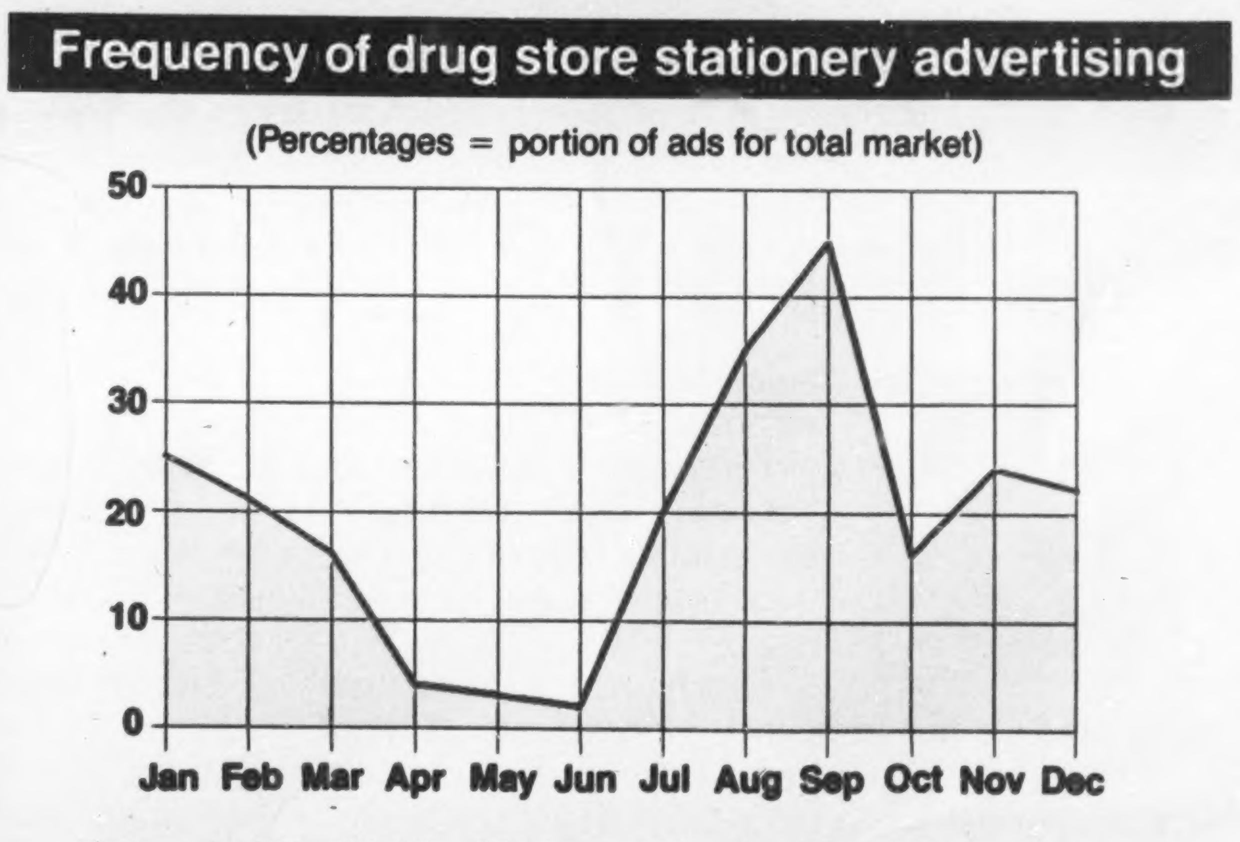


Source: *A 12-Month Study of Stationery Advertising Trends:* Mead School and Office Products Division, Merchandising Department.

Stationery product designs will be colorful and dressed-up for 1991

Teal. Purples. Parrot-bright reds, greens and blues. Neons and naturals. Tropical, batiks, marine life. Foils and holographs.

These are some of the colors and design themes buyers will be seeing in stationery products for Back-to-School 1991.

Savvy school supply vendors say they consult color and design experts, who know a year in advance what garment manufacturers will be showing, to get a fix on what colors and designs to "dress" their B-T-S products in.

Keith Clark's new Student Planners are outstanding examples of the fashion colors and themes B-T-S vendors are producing this year. The planner covers feature batik and tropical themes in lush shades of purple, ruby, teal, yellow and green.

Neon still bright

Neon colors are still going strong, with some new twists: Elmer's is bringing out "GluColors," two three-pack assortments of decorative glues in six neon colors. A pocket-size brochure provides ideas on ways to use the colorful glues in art and craft projects.

Some new fashion stationery products reflect a merging of technology and esthetics, or technology and function, or both. Plymouth's "Hot Ice" portfolios and theme books, for example, sport covers of holographic metalized material laser etched to create a prism of colors as it catches the light. W.T. Rogers has also come out with a holographic design for its "LuminAtions" handled school case. K&M's new PolyPort folio—a lightweight yet durable poly construction with die-cut, heat-sealed pockets—is attractive partly because it's so simple and functional.

Color mixing, matching

Empire Berol's new Trend Line pencils are the result of a patented technological process it developed that makes possible features such as a triangular-shaped pencils (intended to provide a better grip) and black-lead pencils with "color to the core," which allows the mixing or matching of core colors with external colors, ferrules and erasers. The line includes foil-wrapped and metallic-colored pencils, which some other vendors are also featuring this year.

Super Glue's new Stay Fresh five-pack features innovative packaging: five vials of Super Glue contained in a resealable (zip-locking) pouch that includes a Silica Gel envelope to keep the glue fresh. The vials can be broken off as needed and resealed or discarded after use.

New writing instruments are fashion-conscious

Writing instrument makers are casting a color-spangled net of fashion and novelty products to help retailers reel in a big catch of student shoppers this Back-to-School season.

Neon will be very much in evidence again this year, and barrels will reflect the latest fashion designs and textures, ranging from Pentech's textured-fabric wrapped "Fiberz" ballpoints to tie-dye and jungle inspired designs in Bic's Wavelengths line. To tune in to teen preferences, Bic even let teen focus groups help name the products in the line, with results like "Rad Writers," "Animal Skins" and "Heat Waves."

Foil and colors

Retailers will also be seeing foil-wrapped items, such as one in Empire-Berol's new Trend Line, and color-coordinated writing instrument sets, like the bold shades of turquoise, pink, purple and yellow/black in Pilot's Colours line. Other colors coming on strong are teal, green and black.

In addition to the bright plumage most writing instruments will display this B-T-S season, Faber-Castell and Pentech are among manufacturers who will have unvarnished wood "raw" or "natural" pencils, to appeal to those who buy "green."

Some companies, aware that many youngsters need help while their fine motor skills are developing, are bringing out pens and pencils especially shaped, textured or grooved to help them get a better grip on things, such as Empire Berol's triangular-shaped pencils and Scripto-Tokai's rubberized barrels.

Vendors are introducing more value-added and multi-packs than ever this year, to offer consumers better variety and value. They also seem to be increasingly favoring blister-card packaging over plastic pouches for peggables, viewing it as the best way to display fashion items and to be environmentally friendly, by using recycled paperboard for the cards.

Items for kids

There will be plenty of writing items to satisfy kids' yen for novelty and fads, too, such as Pentel's Flexiboll capless ballpoint, which comes in a multi-pack with neon-colored shoelaces and a refill cartridge.

What's its gimmick? It bends in the middle, making it, says Pentel, "the wackiest pen ever."

In the highlighters and markers segment, Pentech is introducing the Bookmarker, a chisel-point highlighter thin enough to use as a book mark, with added features of a pocket clip and graphic inch and centimeter measurements on the barrel. And Faber-Castell has "Uni-Combi," a two-in-one instrument consisting of ball pen at one end and highlighter at the other.

$25,000 tuition sweepstakes

Many vendors are unveiling B-T-S consumer promotions. Among them: a $25,000 college tuition sweepstakes co-promotion by Scripto-Tokai and Thermos Lunch Kits, a multi-million-dollar ad campaign in teen and fashion magazines and on cable TV and USA Network by Bic, a $100,000 "Win-in-an-Instant" consumer game from Pilot Pen, and a Pentel Special Olympics tie-in.

Writing instrument retail sales hit $3.25 billion in 1989

	1988		1989	
	Units (in mill.)	Mfrs' prices* (in mill. $)	Units (in mill.)	Mfrs' prices* (in mill. $)
Fountain pens[1]*	20.9	$63.4	23.1	$68.4
Ballpoint pens[2]	2,785.1	$516.1	3,017.2	$560.4
Roller pens	355.9	$171.2	413.1	$201.2
Porous point pens	544.8	$162.7	706.2	$188.1
Markers/ highlighters	594.2	$208.4	680.2	$231.8
Mechanical pencils	294.7	$211.9	333.9	$238.5
Desk pen sets	3.2	$19.8	2.9	$18.6
Other[3]	—	$102.1	—	$121.0

[1] Includes regular and calligraphy
[2] Includes refillable and nonrefillable
[3] Estimated partially based on Bureau of Census data. Includes refills for ballpoints, fountain pens and roller pens, penpoints and refill leads, etc.
*Includes imports and exports

Source: Annual estimates compiled by the Writing Instrument Manufacturers Association

During the BTS season there will be plenty of writing items in neon colors to satisfy kids' yen for novelties and fads.

Upswing predicted in stationery/school/home office

Drug store, combo and discount merchandisers are bullish about their stationery/school/home office departments.

In a *Drug Store News* survey, more than 90 percent of stationery category respondents said they expect category sales to increase between 5 percent and 10 percent over the coming year, and about one-third said they plan to increase space for stationery/school/home office products from 5 percent to 20 percent within the next 12 months. No one said they expect category sales to be flat or to decrease.

Leading chains responded

The survey represents responses from leading chains with approximately 4,000-5,000 stores across the country.

It may come as no surprise that more than half of the respondents see home office supplies as the fastest-growing segment in the category, but the segment that got the next-highest vote—recycled/reduced package products—may cause some buyers to sit up and take notice. Children's art/activities was the third most cited segment for fast growth, tied with year-round stationery.

Leading trends

When merchandisers were asked to rank the strongest trends in the category, color got the most first-place votes, with "willingness to trade up" second, multi-packs/bulk packages third and price consciousness fourth. Licensing, "green" products and organizational aids were generally ranked lower.

Here are some other findings:

- Three-fourths of responding buyers said they promote the category year-round rather than just at peak periods.
- Peak promotional periods are Back-to-School, second semester B-T-S and tax time, in that order, with Mother's and Father's Day and Christmas also seen as promotional opportunities by some.
- Half of the respondents said they'll step up B-T-S advertising, and about one-third plan to lengthen that advertising period. Almost 30 percent plan to lengthen the second-semester ad schedule. A like percentage plan to increase tax-time advertising, with 21 percent planning to extend the tax-time advertising schedule. One chain indicated plans to step up its year-round stationery category statement, and another will increase Christmas season advertising of the category.
- Over half of the respondents said they devoted 5 percent-10 percent more promotional space or endcaps to the category last year, and 36 percent allotted 10 percent-20 percent more space or endcaps.
- While 21 percent said they'll maintain the status quo on licensed items, 57 percent plan to decrease licensed products this year. The majority also indicated they generally stick with "classic" licenses, such as Disney, but bring in fad licenses for B-T-S time.

Manufacturers study B-T-S trends

Continued from page 18

that improve the performance and increase the profitability of stationery in the retail channels."

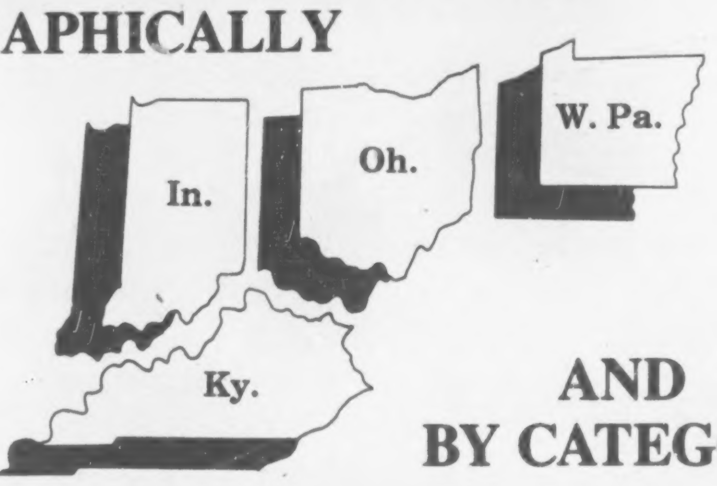
Main findings

While space does not permit extensive discussion of the results, here are a few key findings:

- Total stationery advertising was split about evenly among pegboard (one-third), school (one-third) and home and office items (one-third).
- Half of stationery advertising occurred in August, with about 20 percent occuring in January and September combined.
- Deep discount/warehouse/office supply stores advertised significantly more often than any other channel and advertised more frequently when other channels were not advertising and less frequently when other channels were advertising.
- Food/grocery stores placed less than 2 percent of the total ads from February through June, but accounted for more than 20 percent of total ads placed in August.
- Drug stores placed almost one-half of all advertising in September. Drug stores accounted for more than 20 percent of total ads in six of the 12 months. Two out of every five drug store ads were for pegboard items, one in four for school items.

WE'RE FOCUSED . . .

GEOGRAPHICALLY



AND BY CATEGORY.

These manufacturers are benefitting from it:
● ALCON LABORATORIES ● CONAIR CORPORATION ● DOW BRANDS
● L & F PRODUCTS ● MENLEY & JAMES ● MENTHOLATUM
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Call:

Lowell Smith, President

Jack Furio, Executive Vice President

The Sales & Merchandising Specialists at

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6631 C Commerce Parkway
Dublin, Ohio 43017
Phone : 614-792-2002
Fax : 614-792-5663

NATIONAL FOOD BROKERS ASSOCIATION
NAGMR

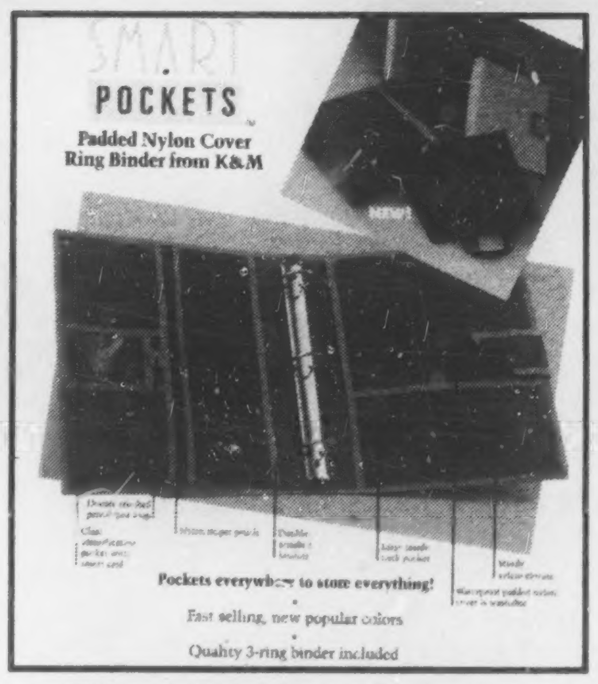
School supplies

Union Camp offers fashion lines

Union Camp Corp. offers the Signature line of fashion notebooks (wireless and microperforated), portfolios and binders in abstract designs inspired by the latest sports clothes graphics.

Other new lines of notebooks, portfolios and binders include the Design 12 series; the American Blues Company, a line of fabric-covered items mixing denim and bold patterns; and the expanded Upper Classman line, which now includes a poly portfolio in assorted colors, with two horizontal pockets.

Union Camp, Wayne N.J. 07470.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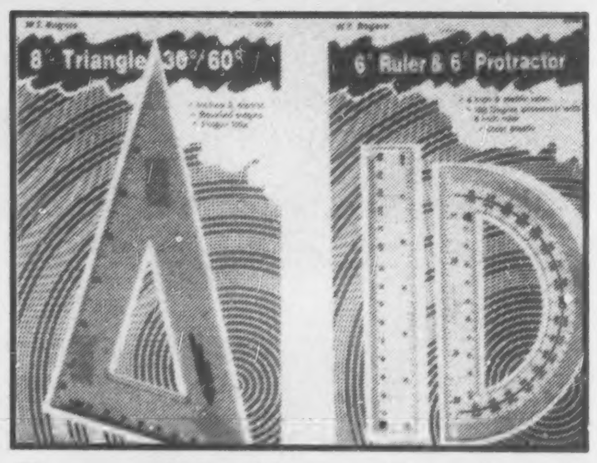
K&M Company introduces Smart Pockets, a nylon binder cover that serves as a portable desk for students. Inside the cover is a transparent window for an ID card, plus folder-type pockets or pockets with zippers or velcro. One outside pocket expands for bulky items.

PolyPort Folios and PaperPort vinyl two-pocket portfolios are lightweight yet have durable poly construction.

K&M Company, 525 Maple Ave., Torrance, Calif. 90503.



Peggable line of school items

W.T. Rogers Company offers Measure Up, a peggable program of drawing and measuring instruments including protractors, rulers, compasses, lettering guides and triangles, mounted or blister carded.

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SMG sweetens its offer in stock, bond buyback

WOODBRIDGE, N.J. — Supermarkets General's new holding company increased the price it is offering for bonds and preferred stock in a tender offer whose deadline has been extended for the fifth time.

SMG-II, the holding company, increased the cash offer for 13 1/8 subordinated debentures from 27 percent of their principal amount to 33 percent. The company also upped the offer for preferred shares to $7 per share from $5 per share, as it extended the deadline for a response to Feb. 4.

Part of restructure

The offer is part of a fiscal restructure aimed at reducing interest and dividend costs and improving SMG-II's balance sheet. The operator of Pathmark Drug stores was forced into a $1.8 billion LBO three years ago.

The deal will "almost eliminate" a deficit in equity in relation to long term debt. As of Nov. 3, that debt was $1.67 billion, with equity at minus $170 million, said Harvey Gutman, vp of retail development.

In raising the price, SMG-II also amended the amount of bonds and shares it is seeking to buy. It is now tendering for $110 million in bonds, down from the initial $155.5 million, and for 3.4 million preferred shares, up from 1.7 million.

The $80 million price of the restructured offer will stay the same, said Gutman. That's the amount a group of investors has proposed to infuse into the holding company in return for new (nondividend-paying) preferred stock.

Before the amended offer, the company was short of receiving the minimum tender response required by the potential investors, who include affiliates of Merrill Lynch & Co. and the Equitable Life Assurance Society.

As of Jan. 16, $28.6 million in bonds and 696,600 of the shares had been tendered. With the new offer the minimum is reduced. Now at least $70 million in bonds and at least 1.65 million shares of preferred stock must be tendered.

SMG-II has also negotiated new covenants with its banks after it had said it would fail to meet minimum performance requirements. Levels on operating profit, net worth and interest coverage have been adjusted "to levels conforming to management's current performance projection for (1990 to 1994)," it said in its third quarter report to the Securities and Exchange Commission.

Improved earnings

SMG-II showed improved operating earnings despite a weak economy.

Sales for its supermarkets and drug stores (and excluding its Rickel home centers) were $4.59 million for the nine months ended Nov. 3. That compares with $4.61 million for the nine months of 1989.

Operating earnings for nine months for the entire company were $122.5 million compared with $81.6 million in the period last year, as the gross profit grew to 25.1 percent, compared with last year's 24.3 percent.

Improved product mix and retail pricing, opportunistic buying, and reduced inventory shrinkage in the supermarkets and drug stores fueled the profit growth.

Thrifty reports lower earnings

LOS ANGELES — Lower gross margins pulled third-quarter operating income down to $5 million at Thrifty Corp. for the period ended Sept. 30, compared with after-tax operating earnings of $11 million the previous year. Sales for the chain's 1,079 drug and sporting goods stores were basically flat at $768 million.

Thrifty is showing the effects of tough competitive and economic conditions in the West. Same-stores sales rose a meager 1.3 percent in the third quarter, compared with a 3.8 percent rise a year ago.

"The decline in earnings was due to margins that have fallen below their traditional levels at both drug and sporting goods stores," said James Ukropina, chairman of Pacific Enterprises, Thrifty's parent company. "Thrifty is improving its operations and aggressively addressing internal problems that have contributed to lower margins."

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Vol. 13, No. 3 Feb. 4, 1991

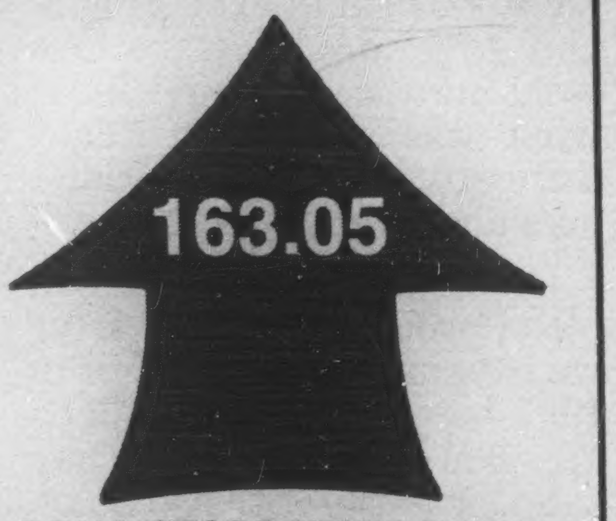
MARKET DIARY:

Largest Dollar Gainer	Pfizer Inc.	$ 8.13
Largest Dollar Loser	Columbia Labs	$– 0.38
Largest Percentage Gainer	Perry Drug	45.45%
Largest Percentage Loser	Halsey Drug	–10.00%

Advances	48
Declines	3
Unchanged	6
New highs	5
New lows	2

	Close 1/15/91	Close 1/22/91	Net Change	Percent Change
Drug Store News Index	2892.81	3055.85	163.05	5.64
Dow Jones Industrial Average	2490.59	2603.22	112.63	4.52
Standard & Poor's 500-Stock Index	313.73	328.31	14.58	4.65
N.Y.S.E. Composite	171.70	179.20	7.50	4.37
Value Line Index	186.78	194.68	7.90	4.23

Source: Nordby International Inc., Boulder, Colo.



DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 1/15/91	Closing Price 1/22/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
	Chain store transactions										
OTC	Accuhealth Inc.	ACCU	6.13	6.19	0.06	1.03	24	0.00	0.00	7.56	4.00
OTC	Arbor Drugs (H)	ARBR	20.50	20.75	0.25	1.22	18	0.20	0.96	23.00	13.25
OTC	Big B	BIGB	7.25	7.50	0.25	3.45	– 18	0.00	0.00	13.38	4.75
OTC	Drug Emporium	DEMP	6.88	7.25	0.38	5.45	12	0.12	1.66	11.00	6.25
NYS	Fay's Inc.	FAY	8.00	8.50	0.50	6.25	12	0.20	2.35	10.75	7.25
ASE	Genovese Drug	GDX.A	5.88	6.00	0.13	2.13	11	0.24	4.00	9.88	5.50
NYS	Longs Drug Stores (L)	LDG	31.50	33.38	1.88	5.95	11	1.04	3.12	43.63	30.88
OTC	Medicine Shoppe	MSII	20.88	22.25	1.38	6.59	20	0.24	1.08	26.75	15.50
NYS	Perry Drug (L)	PDS	4.13	6.00	1.88	45.45	100	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp.	RAD	36.00	38.25	2.25	6.25	15	1.00	2.61	38.63	29.50
NYS	Walgreen Co.	WAG	50.00	52.63	2.63	5.25	18	0.92	1.75	53.25	39.88
	Wholesaler's transactions										
ASE	Bergen Brunswig	BBC	27.00	28.50	1.50	5.56	15	0.40	1.40	29.63	20.50
OTC	Bindley Western Ind.	BIND	11.50	12.13	0.63	5.43	17	0.04	0.33	14.25	8.63
OTC	Cardinal Distribution (H)	CDIC	27.25	29.75	2.50	9.17	26	0.08	0.27	29.75	15.88
OTC	Durr-Fillauer	DUFM	20.63	21.75	1.13	5.45	17	0.24	1.10	22.63	15.63
ASE	Ketchum	KCH	1.63	1.63	0.00	0.00	– 1	0.00	0.00	3.13	1.25
NYS	McKesson Corp.	MCK	30.63	31.63	1.00	3.27	14	1.60	5.06	38.38	26.88
ASE	Moore Medical	MMD	3.88	4.25	0.38	9.68	– 5	0.00	0.00	9.25	3.50
NYS	Owens & Minor	OMI	14.13	14.13	0.00	0.00	19	0.24	1.70	15.13	10.63
	Manufacturer's transactions										
NYS	Abbott Labs	ABT	39.88	41.88	2.00	5.02	19	0.84	2.01	46.38	31.25
NYS	American Home Products	AHP	47.75	49.38	1.63	3.40	13	2.12	4.29	54.88	43.00
NYS	Baxter International	BAX	26.88	28.00	1.13	4.19	– 97	0.64	2.29	29.50	20.50
OTC	Block Drugs Co. (H)	BLOCA	37.75	40.00	2.25	5.96	15	0.76	1.90	40.00	29.63
ASE	Bolar Pharmaceutical	BLR	2.25	2.25	0.00	0.00	– 2	0.00	0.00	17.13	1.88
NYS	Bristol-Myers Squibb	BMY	63.25	66.63	3.38	5.34	20	2.40	3.60	68.00	50.50
NYS	Carter-Wallace	CAR	53.50	53.63	0.13	0.23	16	0.92	1.72	57.50	44.88
ASE	Columbia Labs	COB	4.50	4.13	–0.38	– 8.33	– 3	0.00	0.00	14.75	3.63
ASE	Forest Labs	FRX	47.50	49.88	2.38	5.00	30	0.00	0.00	50.75	33.63
ASE	Halsey Drug	HDG	2.50	2.25	–0.25	–10.00	225	0.00	0.00	5.63	2.13
NYS	ICN Pharmaceutical	ICN	2.50	2.63	0.13	5.00	0	0.00	0.00	5.25	2.50
ASE	Lee Pharmaceutical	LPH	0.88	1.00	0.13	14.29	– 4	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition	PLI	7.25	7.25	0.00	0.00	8	0.00	0.00	12.63	6.75
NYS	Lilly Eli Co.	LLY	69.50	76.13	6.63	9.53	20	2.00	2.63	90.38	58.75
NYS	Marion Labs	MKC	33.88	35.25	1.38	4.06	24	0.80	2.27	36.25	21.00
NYS	Merck Co.	MRK	83.50	87.63	4.13	4.94	20	2.24	2.56	91.13	67.00
NYS	Mylan Labs	MYL	17.50	18.75	1.25	7.14	21	0.20	1.07	24.75	13.75
NYS	Par Pharmaceutical	PRX	4.00	4.63	0.63	15.63	– 4	0.00	0.00	8.25	3.38
NYS	Pfizer Inc. (H)	PFE	75.38	83.50	8.13	10.78	19	2.40	2.87	83.50	54.50
NYS	Rhone-Poulenc Rorer	RPR	68.50	69.25	0.75	1.09	– 44	0.84	1.21	78.25	56.00
NYS	Schering Plough	SGP	42.63	42.38	–0.25	– 0.59	18	1.12	2.64	50.75	37.00
NYS	Syntex Corp.	SYN	57.75	60.88	3.13	5.41	19	1.60	2.63	63.75	46.75
OTC	Taro-Vit Industries	TAROF	2.75	2.75	0.00	0.00	– 46	0.00	0.00	3.13	0.88
NYS	Upjohn Co.	UPJ	35.25	36.88	1.63	4.61	19	1.16	3.15	44.63	33.00
NYS	Warner-Lambert	WLA	64.00	69.00	5.00	7.81	20	1.52	2.20	70.38	49.63
OTC	Zenith Labs	ZENL	5.50	5.50	0.00	0.00	0	0.00	0.00	9.50	3.75
	Other retailer transactions										
NYS	Albertson's	ABS	33.75	37.13	3.38	10.00	23	0.48	1.29	37.75	24.38
NYS	American Stores	ASC	55.00	59.50	4.50	8.18	14	1.12	1.88	71.50	42.63
NYS	Giant Food (H)	GFS.A	27.75	30.25	2.50	9.01	15	0.60	1.98	30.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	40.63	46.50	5.88	14.46	12	0.80	1.72	59.63	37.75
NYS	Kmart	KM	27.00	28.75	1.75	6.48	17	1.72	5.98	37.00	23.38
NYS	Kroger	KR	13.13	14.00	0.88	6.67	54	0.00	0.00	17.00	10.63
NYS	Melville Corp.	MES	40.88	43.75	2.88	7.03	12	1.44	3.29	57.75	32.75
OTC	Fred Meyer	MEYR	11.50	12.00	0.50	4.35	– 60	0.00	0.00	18.25	10.00
NYS	Penney, JC	JCP	43.75	46.88	3.13	7.14	8	2.64	5.63	70.88	37.38
NYS	Safeway	SWY	12.00	13.25	1.25	10.42	33	0.00	0.00	16.88	10.25
NYS	Smith's Food & Drug	SFD	29.25	30.00	0.75	2.56	23	0.28	0.93	34.50	23.00
NYS	Wal-Mart	WMT	29.13	31.13	2.00	6.87	29	0.12	0.39	36.75	20.25

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

C5150-2

The newspaper of drug store retailing Feb. 18, 1991

DRUG STORE NEWS

Vol. 13 No. 4

A Lebhar-Friedman publication

LATE NEWS

- **MELVILLE, N.Y. — Genovese's Ralph and Ray Rescildo, vps of pharmacy services and professional relations, left the chain and bought a drug store in Fairfield, Conn.**
- **LOS ANGELES — Operating earnings for Thrifty's 's drug and sporting goods stores fell 47% to $36 million for the year ended Dec. 31. Corporate sales rose 3% to $3.2 billion.**

FEATURES

Technology eyes shopper needs

Smart applications of emerging technologies will help marketers meet targeted consumer needs in the '90s. Page 8.

Grass recalls bribery trial

The bribery charges were tossed out long ago, b
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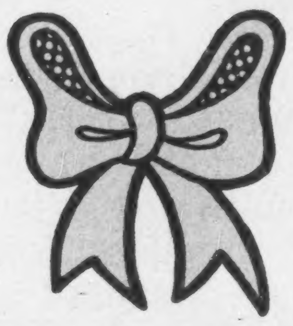
SECOND CLASS

Drug stores rally in Desert Storm

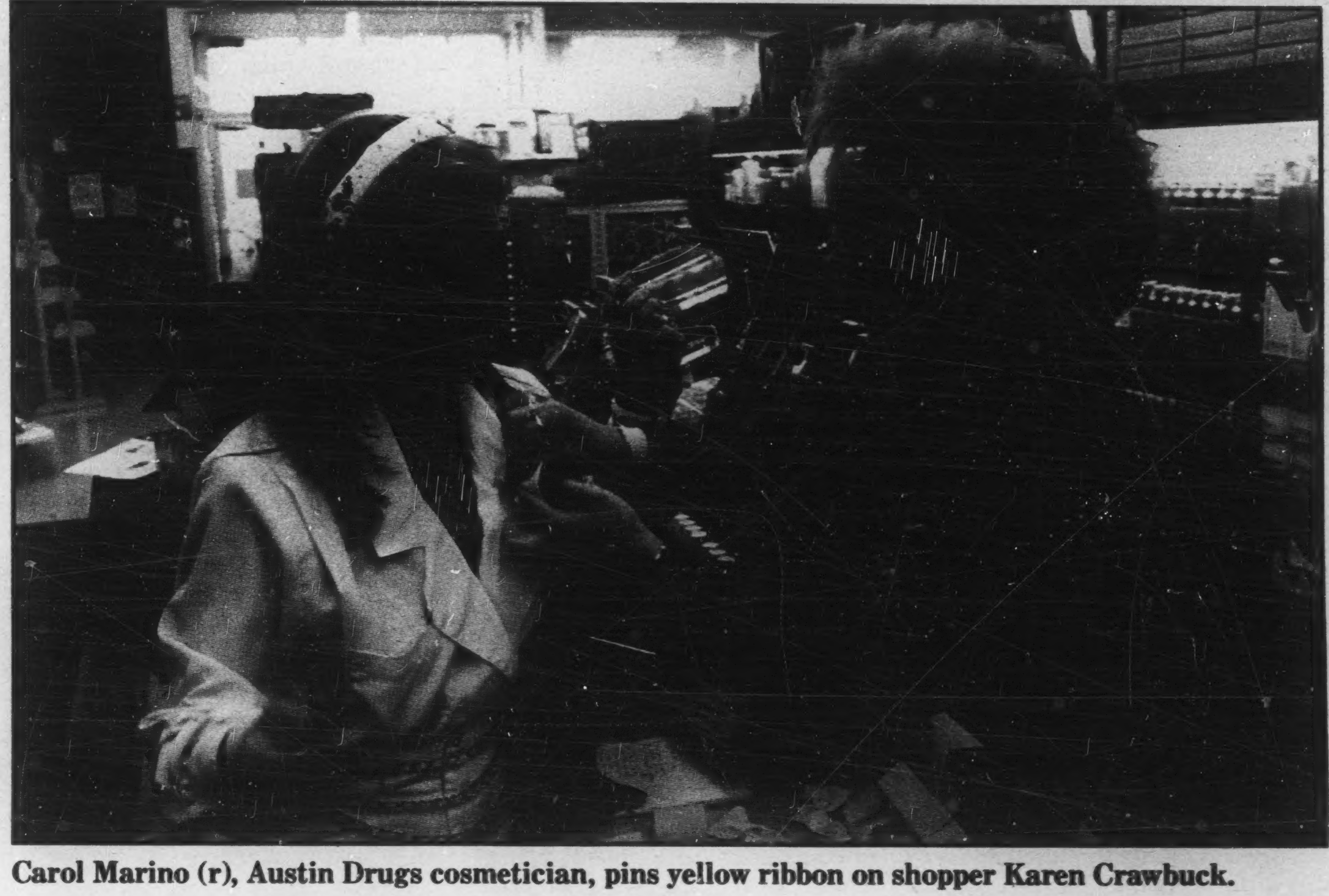


By Al Heller *with additional reporting by Susan Ball, James Frederick, David Vaczek and Elizabeth Richardson*

If the community role of drug stores was ever in doubt, Operation Desert Storm has whipped up those warm feelings once again as chains and independents respond visibly to the nation's piqued emotions.

In small towns and suburbs, the anguish of war is all too evident. That drama is often played out in the corner drug store, where locals talk of patriotism, diminished spending plans and missed loved ones. The same places where people rush to get medicines for sick family members are largely rising to this occasion—albeit with some profit motive—despite their own hurts of sluggish sales and employees abroad.

On a large scale, Walgreen has donated a steady stream of health and beauty aids, dehydrated foods and pens—and pantyhose to protect rifle barrels from sand. One Walgreens store in **New Jersey** bought 400 boxes of Girl Scout cookies and shipped them to soldiers in the Gulf; some other stores are drop-off points for mail abroad.



Carol Marino (r), Austin Drugs cosmetician, pins yellow ribbon on shopper Karen Crawbuck.

Eckerd, American Stores and Begley Drug are making up employees' salary differences while on active duty. Genovese Drug enlisted 20 manufacturers to donate product that the chain sent to 3,500 service personnel. And a Drug Emporium franchise in **Hampton Roads, Va.** ran a similar program with seven vendors.

See **Chains** *page 32*

Fay's to buy 48 Carls

By David Vaczek

LIVERPOOL, N.Y. — Fay's, Inc. in a major purchase, said it has entered a tentative agreement to buy the Rome, N.Y.-based Carls Drug. Carls, operating 48 drug stores, and its employees will be "totally absorbed" by Fay's, with the drug stores converted to Fay's stores, Henry Panasci, Jr., Fay's chairman and ceo, told *Drug Store News*.

"It's our plan to assimilate the organization and the people into Fay's," said Panasci.

The purchase significantly advances Fay's goal to hit the $1 billion sales mark, by adding Carls' $100 million annual drug store volume. Fay's posted $526.6 million sales in 1989, and is on the way to being around $700 million this fiscal year, based on reported third quarter results.

Carls is being sold by Victory Markets, Inc., a New York

See **Fay's** *page 32*

Phar-Mor pushes past $2 billion sales mark

YOUNGSTOWN, Ohio — Fast-growing Phar-Mor pushed past the $2 billion sales level in 1990, thanks to Christmas selling and its torrid expansion pace. That pace pushed the chain to 237 stores operating in 27 states at year-end.

"We achieved our goal of $2 billion for the year," said president Michael "Mickey" Monus. "We want to build on our momentum and continue our. . .expansion plans in 1991."

The chain plans to add another 70 units this year in existing and new states, including its first Detroit-area locations and its first stores in New York, Arkansas and Kansas. Phar-Mor has also pushed recently into new markets like Cincinnati, Dover, Delaware, and Southern California.

This year will also see the deep-discounter adding to its base

See **Phar-Mor** *page 32*

Harco's 50th: A piece of cake

By Susan Ball

TUSCALOOSA, Ala. — At exactly 3 p.m. Jan. 30, Harco associates at all 115 drug stores gathered around 115 birthday cakes and wished one another "Happy Birthday."

Everybody watched videotaped birthday messages from president Jim Harrison Jr., and each full- and part-time employee received a T-shirt and commemorative mug. Then everybody had a piece of cake.

At the same time, parties were thrown at Harco's auto parts and home health care units and at headquarters for its office and warehouse people.

Harco is celebrating its 50th anniversary this year—"50 Years of Caring"—as the slogan puts it. The simultaneous birthday parties at its 161 stores (including all divisions) were

See **Harco** *page 32*

HARCO
INC.
50 YEARS
OF CARING

NEWS IN BRIEF

Stevens quits as Fred Meyer's chief

PORTLAND, Ore. — Frederick Stevens has resigned unexpectedly as chairman and chief executive of Fred Meyer, the chain of one-stop megamarts operating in the Northwest.

No replacement has been named, although Fred Meyer's board has begun a search for a new ceo. Other senior managers will assume Stevens' role during the transition period and no interim ceo will be named, according to company spokesperson Cheryl Perrin.

Stevens joined the company in April, 1988. During his tenure, the chain made big investments in management information systems, developed several new store formats and accelerated its construction and expansion pace.

"I am pleased with our accomplishments and glad to have been part of the Fred Meyer team the past three years," Stevens said. "I feel now is an appropriate time for me to seek new opportunities and challenges. While there is still more to be done, the company is well positioned for continued growth."

No other explanation was given for Stevens' departure.

Fred Meyer now operates 122 units, including 94 giant-scale multi-departmental stores with pharmacies, food, general merchandise, apparel, home electronics, home improvement products and jewelry. The stores range up to 200,000 square feet, and operate in Oregon, Washington, Utah, Idaho, Alaska, Montana and California. Sales in 1989 were $2.28 billion.

Rx Place to bow on Long Island

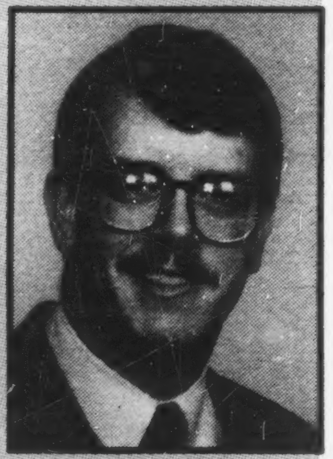
NEW YORK — Rx Place, which doubled its store count in 1990, is kicking off another ambitious expansion year with its first store on Long Island, to open March 9 in Copiague.

The deep discount drug chain, a division of Woolworth's, currently operates 20 stores, 10 of which opened last year, from New England to Philadelphia, with concentrations in the latter market, Syracuse and Providence, R.I.

The 25,000-square-foot Copiague store, located next door to Price Club in a shopping center on Sunrise Highway, is "definitely a first step" in plans to grow on Long Island, said Rx Place president Gary Fuller. Noting that there are several store leases in negotiation, he added, "We're looking all over Long Island."

Rx Place is shooting for 10 new stores this year, targeting New England and New Jersey as well as Long Island.

Eckerd taps Ray vp-systems develop.


Ray

CLEARWATER, Fla. — Eckerd Drug appointed James B. Ray to the new position of vp-systems development, reporting to vp-information systems Jerry Rothmeyer.

Ray, who joined Eckerd three years ago as director of management information systems, was formerly with Arthur Young and Co.

Rothmeyer said the newly created job "underscores the importance of constantly upgrading and enhancing Eckerd's technological capabilities."

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NACDS Small Chain Conference is a springboard into the 1990s

By James Frederick

CORONADO, Calif. — Small-chain executives came here with two main goals: to forge better relationships with vendors and acquire tools to help them survive and prosper in '90s-era retailing.

For most drug chains, that means upgrading automation and information-gathering capabilities without spending themselves into a hole. For the nearly 50 drug chains represented at La Meridien Hotel here, these goals went hand-in-hand with the need to cut operating costs and improve efficiencies.

(See conference photos, page 30.)

The occasion was the annual NACDS Small Chain Conference, which this year drew more than 70 retail executives representing four- to 50-store chains, 25 supplier companies and three major wholesalers.

Since most chains here were small enough not to compete with one another, ideas and information flowed freely. In panel discussions, group think tanks and informal get-togethers, small-chain executives spoke frankly.

"It's been a highly successful show, because there's been a significant amount of interaction among the small-chain operators and the manufacturers," said NACDS president Ron Ziegler on the last day of the event.

"This has been excellent for the sharing of ideas," added Bill Matteucci, president of Drug Fair Northwest.

Partnerships needed

Attendees voiced the need for better dialogue and relationships between retailers and suppliers. As Medic Discount Drug president Nat Lipsyc put it: "We have worked at that with every one of our major suppliers for years, and I haven't sensed a readiness with many of them to change the old ways of doing business."

In many cases, say both retailers and suppliers, those "old ways" have been more adversarial than mutually agreeable. In a talk entitled "The New Marketing Partnership," retired Procter & Gamble vp-sales Lou Pritchett said, "These historical, adversarial, win-lose relationships must end, and we must all focus on the consumer in the new marketing environment."

"You may think these kinds of partnerships can only exist between the major suppliers and the biggest chains, and that would be a reasonable conclusion," Pritchett admitted. "In the old days, suppliers looked at retail as a necessary evil, a link in the distribution chain to the end user. . .Those days are ending."

Pritchett gave several reasons for the change. Among them: the explosion of new product movement information available to retailers, which puts them on a more even playing field and helps both retailers and suppliers target individual markets and customers effectively; growing consolidation among retailers, which changes the ratio of suppliers to retailers; and new efforts by suppliers to shift their focus beyond just selling, into service and value-added support. At the bottom of it all, he said, is the growing realization among suppliers that a "win-win" partnership—in which suppliers focus on the needs of retail buyers in planning and promoting products—helps both sides to build sales.

Panel on 1990s retailing concluded Small Chain Conference. From left: Sheldon (Bud) Fantle, president, Fantle's Enterprises; Derek Hall, McKesson Drug vp-sales; Jerry Heller, president and ceo, May's Drug Stores; Bob Mathews, Synercom senior vp-development; Derry Myers, vp-sales, Jack's Service Co.; and Larry Tilton, president, Lederle Consumer Health Products.

Panel looks at small chain concerns

> *"I have tasted both the bitter and the sweet in this industry. . . you learn a lot more from defeat than from your successes."*
>
> —Sheldon "Bud" Fantle,
> former chairman,
> NACDS, Peoples, Fantle's

CORONADO, Calif. — He uttered that truism as he moderated a panel on 1990s retailing at the conference.

EDI, front-end scanning, and other technologies were central issues. Fantle urged small-chain retailers to adopt scanning "as soon as you can use POS in any way."

"It's not enough just to have captured the data (at the point of sale)," said panelist Bob Mathews, senior vp-systems at Synercom. "You've got to learn how to use it (because) a POS system will give you mountains of data."

Jerry Heller, May's president, added his chain is "working directly with IBM to develop a POS system."

Meanwhile, Heller added, drug chains should stay focused on their mission in the '90s: "We decided a long time ago not to get sidetracked" by video rentals, optical centers, auto supplies and other businesses. "It's much easier to handle your financing and distribution and build relationships with vendors if you're focused on one business."

"My personal philosophy is that 7,000 to 8,000 square feet is as large as a drug store ought to be," he added. "You can do all your core departments very well in that space."

Other issues addressed by the panel and its audience: the changing nature of retailer/ supplier relationships; hiring and training employees; competitive strategies; financial resources; and drug pricing.

Small chains pick five years

CORONADO, Calif. — Small chain operators gave strong support to the continuation of five-year vs. six-year pharmacy degrees during the NACDS Small Chain Conference here.

The members adopted a resolution stating that the current five-year degree requirements for pharmacists remain "in the best interests of the public and community pharmacy."

The resolution declares strong opposition to "any attempts to mandate a six-year degree as the sole first degree for pharmacy practice," since such a mandate "would fundamentally alter the public's access to pharmacy services because of the severe manpower shortage that would result."

"The message is clear," said NACDS chairman Phil Beekman in his opening remarks at the Small Chain Conference. "There's overwhelming support from both educators and pharmacists for a five-year program."

On-site labs, new promos build photo dept. at chains

Drug chains have been the mass market's most aggressive promoter of film and quality photofinishing for a long time. That head start continues to stand them in good stead, despite the inroads made by new classes of trade over the past decade.

In the fight for a bigger share of the photo market, drug chains are more than holding their own in a crowded field. Between 1988 and 1989, for instance, the Photo Marketing Association reports that drug stores boosted their share of the nation's $5.34 billion photofinishing business from 21.5 percent to 22 percent. Unit sales showed even better gains, the PMA reported: drug stores accounted for 23.3 percent of the roughly 750 million rolls of film processed in 1989, vs. 22.6 percent the previous year.

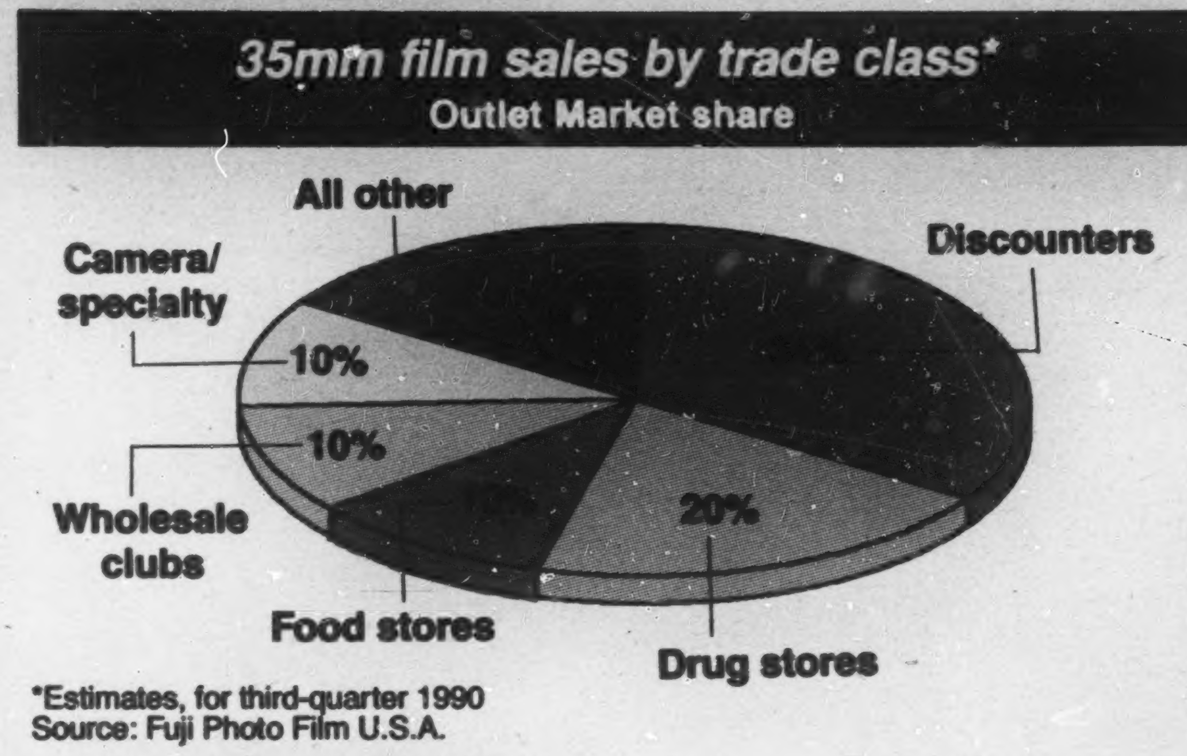
The gains were due in large part to the increasing use of in-store mini labs by drug chains, and to innovative marketing and promotional programs by the chains. Combined, those strengths led to a doubling of business by drug store minilabs—from 3.3 percent of the total one-hour photofinishing market in 1988 to 6.7 percent in 1989, according to the PMA.

"There's been a definite expansion of on-site processing," said Rod King, senior marketing manager for Fuji Photo Film U.S.A., Inc. "Photofinishing is much more important to the drug class of trade than to discount or food...and more and more retailers are abandoning wholesale photofinishers and picking up on-site processing."

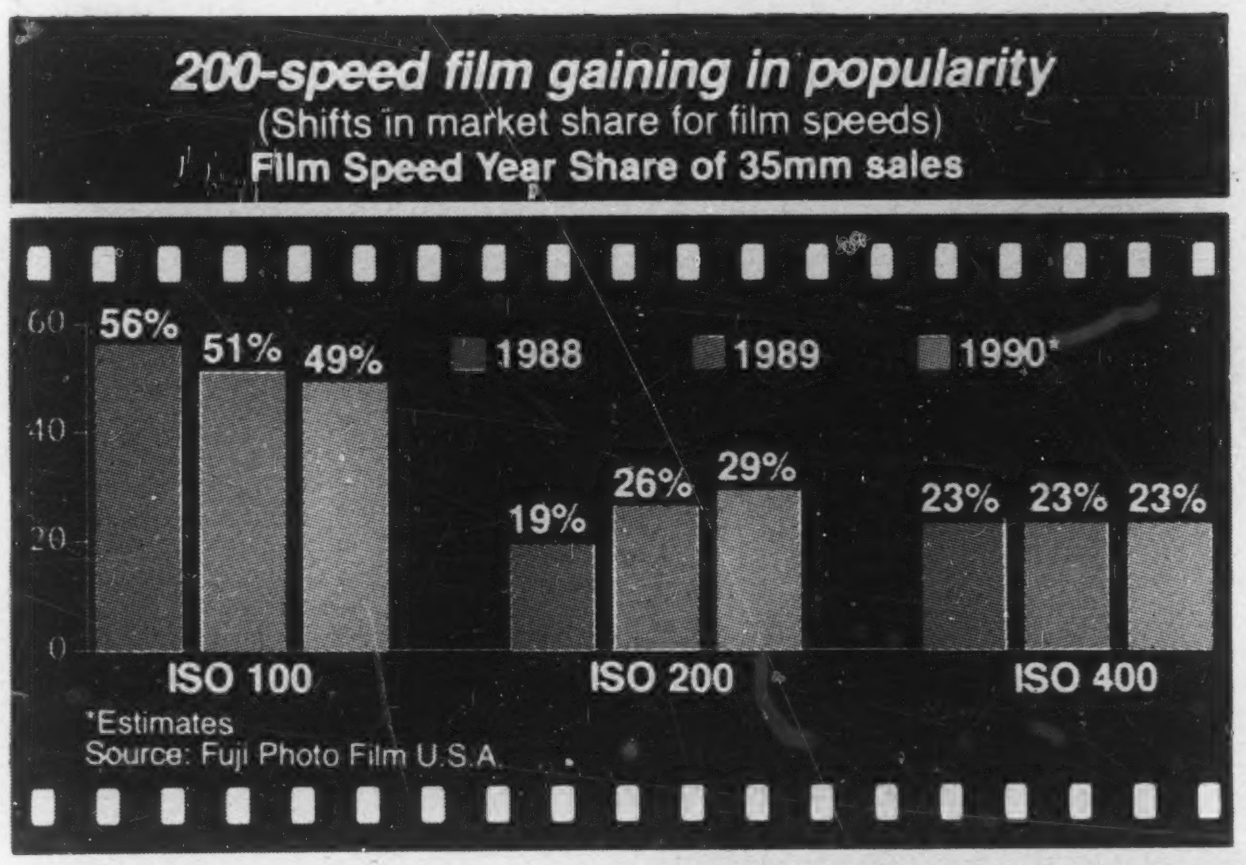
The efforts drug chains make at the photo counter have also been good for film sales, which King said are growing 5 to 6 percent a year in the drug trade class. Drug chains—along with other mass market outlets—still struggle, however, to get many of their film customers to bring their exposed rolls back to the store for processing. It's a matter of quality perception, according to the PMA: many chains simply haven't gotten the message across. "These [mass market] outlets have the least loyal customers . . . in terms of returning to the outlet for photofinishing," the PMA noted in its most recent market report. That fact is spurring much of the shift to in-store processing as a means to control and promote quality prints, the report adds.

Most drug chains have stepped up efforts to sell the quality message, which helps drive both processing and film sales. Said Wynne Powell of London Drugs, one of the industry's most committed players in photo and film, "You have to know the photo business to make money in it. We put out a strong quality message in our photofinishing, with computerized testing and hundreds of tests for print quality. Our standards are so high, many of our photo lab managers have degrees."

That helps explain why London's in-store labs process a minimum of 600 rolls a day, he said.



*Estimates, for third-quarter 1990
Source: Fuji Photo Film U.S.A.



*Estimates
Source: Fuji Photo Film U.S.A.

Film makers focus on R&D, promos

Growth of 35mm exposure volume, 1975 to 1989

Year	Percentage of total exposures
1975	12.4%
1977	30.0%
1980	34.0%
1983	48.0%
1987	69.0%
1988	75.4%
1989	80.1%

Source: Photo Marketing Association

U.S. consumers will be buying upwards of 900 million rolls of film this year and several million more point-and-shoot 35mm cameras to fuel demand for more rolls. That fact has not been lost on manufacturers, who continue to pour big dollars into new-product development and heavy national and point-of-purchase advertising.

On the one hand, the major film makers continue to research new emulsion systems for faster, brighter, more color-saturated film; on the other, the big imaging companies continue their high-stakes, high-profile marketing campaigns to win consumers and retail shelf space. The two biggest competitors in this pitched battle remain Eastman Kodak and Fuji Photo Film, but more recent entrants like Polaroid's OneFilm, 3M's Scotch brand and Konica, a lower-priced alternative, are gaining new retail allies as they fight for positioning and pick up higher sales.

The manufacturers have kept the heat on their efforts to improve products and packaging and to boost brand awareness. Kodak, for instance, unveiled in January a new version of its Gold 400 film which it says features the world's most accurate color reproduction and most saturated colors in its ISO speed range. The improved emulsion system allows for better response to flash exposures, and more exposure latitude.

The new Gold 400 film will get a big sendoff with TV and print ads and on-pack promotional offers. Kodak has also developed packaging to reflect the name change from Kodacolor Gold to Kodak Gold.

Fuji—which recently announced an environmental effort to begin replacing its plastic film containers with mostly recycled paper containers—will shortly launch a new gem giveaway promotion. The campaign, featuring the theme "Discover the Brilliance of Fujicolor," will include the giveaway of more than 1,400 precious gems during the March-through-June event, meant to showcase Fuji's color reproduction.

Polaroid's OneFilm is also getting a big new promotional push this year. The new "Win a Star-Studded Hollywood Extravaganza" sweepstakes runs from February through April.

"The first-quarter promotion will be heavily supported by a national advertising campaign and a full complement of point-of-sale materials and displays," said Donald Patrican, Polaroid director of U.S. consumer marketing.

3M, meanwhile, is launching a major ad campaign of its own to mark the debut of a new, improved emulsion system for its Scotch-brand and private-label films.

The manufacturers have kept the heat on their efforts to improve products and packaging and to boost brand awareness.

McK health care revenues and operating profits rise

SAN FRANCISCO — A decline in the results of its Armor All Products division offset gains in McKesson Corp.'s core health care business, and the company reported a 6 percent drop in earnings per share for the third quarter ended Dec. 31.

Alan Seelenfreund, chairman and ceo, and Rex R. Malson, president and chief operating officer, noted, however, that "combined health care revenues—which include pharmaceutical distribution and prescription claims management—were up 11 percent in the quarter, and operating profit rose 21 percent, while revenues for the nine months were up 12 percent and operating profit, 19 percent."

Third-quarter revenues rose 8 percent to $2.2 billion, from $2.03 billion in the prior-year period, and net income fell 9 percent to $27.3 million, from $30 million. Fully diluted earnings per share were 60 cents, down from 64 cents.

Revenues for the nine months were up 10 percent, to $6.3 billion from $5.7 billion, while net income dropped 3 percent, to $78.1 million from $80.4 million. Earnings per share were $1.71 versus $1.73.

The pharmaceutical distribution segment increased in revenues of 11 percent for the quarter, to about $1.9 billion, and a 14 percent jump in operating profit, to $45.1 million.

Excluding bulk sales, operating profit margins for the quarter were 3.19 percent, up from 3.14 percent in the comparable period last year.

For the nine months, revenues in the segment rose 12 percent and operating profit rose 9 percent. The operating margin was 3.01 percent, compared with 3.09 percent for the year-ago nine months.

PCS revenues for the quarter were $24.6 million, up 17 percent excluding prior-year revenues of the company's PDS subsidiary, which was sold last February.

Medicine Shoppe posts 14 percent comp-store gains

ST. LOUIS — Medicine Shoppe International increased net earnings to $2.5 million for first quarter 1991, ended Dec. 31, 1990, while corporate revenues rose 9 percent, to $8.9 million.

Revenues in the comparable period last year were $8.2 million, and net earnings were $2.02 million.

Franchise fee revenues for the quarter were up 19 percent, and interest financing activities advanced 18 percent. Overall retail sales increased 19 percent, to $145.98 million for the quarter, and store-for-store sales gained 14 percent.

Opening 20 stores and closing eight during the quarter, MSI had a net gain of 12 units. Fourteen of the stores opened were conversions from independent pharmacies.

MSI's Board of Directors voted a 6 cent per share quarterly dividend payable Feb. 26 to shareholders of record Feb. 12.

Cardinal 3rd qtr. net earnings up 35 percent, sales up 43 percent

DUBLIN, Ohio — Cardinal Distribution reported sales increases in all customer segments and geographic markets for the third quarter and nine months ended Dec. 31.

Third-quarter net sales gained 43 percent, to $315.7 million from $220.7 million in the comparable prior period, and net earnings rose 35 percent, to $4.5 million from $3.3 Million. Fully diluted earnings per share increased 32 percent, to 33 cents from 25 cents.

For the nine months, net sales advanced 33 percent, to $843.1 million from $634.2 million. Net earnings were up 36 percent, to $11.5 million from $8.5 million in the 1990 period.

Operating earnings, helped by a strong margin performance and continuing gains in productivity, increased 53 percent for the quarter and 39 percent for the year to date, the company said.

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Vol. 13, No. 4 Feb. 18, 1991

MARKET DIARY:

Largest Dollar Gainer	Merck Co.	$ 8.38
Largest Dollar Loser	Giant Food	$− 1.50
Largest Percentage Gainer	Bolar Pharmaceutical	105.56%
Largest Percentage Loser	Giant Food	− 4.96%

Advances	53
Declines	3
Unchanged	1
New highs	17
New lows	1

	Close 1/22/91	Close 2/05/91	Net Change	Percent Change
Drug Store News Index	3055.85	3489.50	433.64	14.19
Dow Jones Industrial Average	2603.22	2788.37	185.15	7.11
Standard & Poor's 500-Stock Index	328.31	351.26	22.95	6.99
N.Y.S.E. Composite	179.20	191.89	12.69	7.08
Value Line Index	194.68	218.19	23.51	12.08

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 1/22/91	Closing Price 2/05/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.19	6.13	−0.06	−1.02	24	0.00	0.00	7.56	4.50
OTC	Arbor Drugs	ARBR	20.75	22.50	1.75	8.43	19	0.20	0.89	23.00	13.25
OTC	Big B	BIGB	7.50	7.88	0.38	5.00	−19	0.00	0.00	13.38	4.75
OTC	Drug Emporium	DEMP	7.25	7.75	0.50	6.90	12	0.12	1.55	11.00	6.25
NYS	Fay's Inc.	FAY	8.50	10.63	2.13	25.00	15	0.20	1.88	10.75	7.25
ASE	Genovese Drug	GDX.A	6.00	7.50	1.50	25.00	14	0.24	3.20	9.63	5.50
NYS	Longs Drug Stores	LDG	33.38	35.50	2.13	6.37	12	1.04	2.93	43.63	30.88
OTC	Medicine Shoppe	MSII	22.25	24.50	2.25	10.11	21	0.24	0.98	26.75	15.50
NYS	Perry Drug	PDS	6.00	6.00	0.00	0.00	100	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp. (H)	RAD	38.25	40.13	1.88	4.90	16	1.00	2.49	40.13	29.50
NYS	Walgreen Co. (L)	WAG	26.31	30.00	3.69	14.01	21	0.44	1.47	30.00	20.13
Wholesaler's transactions											
ASE	Bergen Brunswig (H)	BBC	28.50	29.88	1.38	4.82	16	0.40	1.34	30.38	21.38
OTC	Bindley Western Ind.	BIND	12.13	13.75	1.63	13.40	19	0.04	0.29	14.25	8.63
OTC	Cardinal Distribution (H)	CDIC	29.75	31.25	1.50	5.04	26	0.08	0.26	32.00	16.50
OTC	Durr-Fillauer (H)	DUFM	21.75	26.75	5.00	22.99	21	0.24	0.90	26.75	15.88
ASE	Ketchum	KCH	1.63	2.00	0.38	23.08	−2	0.00	0.00	2.88	1.25
NYS	McKesson Corp.	MCK	31.63	32.75	1.13	3.56	15	1.60	4.89	38.38	26.88
ASE	Moore Medical	MMD	4.25	6.13	1.88	44.12	−8	0.00	0.00	8.50	3.50
NYS	Owens & Minor (H)	OMI	14.13	15.50	1.38	9.73	21	0.24	1.55	15.50	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	41.88	44.50	2.63	6.27	20	0.84	1.89	46.38	31.25
NYS	American Home Products	AHP	49.38	54.38	5.00	10.13	14	2.28	4.19	54.88	43.00
NYS	Baxter International (H)	BAX	28.00	30.00	2.00	7.14	−214	0.64	2.13	30.00	20.50
OTC	Block Drugs Co. (H)	BLOCA	40.00	42.00	2.00	5.00	15	0.80	1.90	42.75	29.63
ASE	Bolar Pharmaceutical	BLR	2.25	4.63	2.38	105.56	−4	0.00	0.00	13.63	1.88
NYS	Bristol-Myers Squibb (H)	BMY	66.63	70.75	4.13	6.19	21	2.40	3.39	70.75	50.50
NYS	Carter-Wallace (H)	CAR	53.63	58.75	5.13	9.56	17	0.92	1.57	61.25	44.88
ASE	Columbia Labs	COB	4.13	6.88	2.75	66.67	−5	0.00	0.00	14.75	3.63
ASE	Forest Labs (H)	FRX	49.88	56.75	6.88	13.78	33	0.00	0.00	56.75	33.63
ASE	Halsey Drug	HDG	2.25	3.25	1.00	44.44	325	0.00	0.00	5.44	2.13
NYS	ICN Pharmaceutical	ICN	2.63	3.13	0.50	19.05	0	0.00	0.00	5.25	2.50
ASE	Lee Pharmaceutical	LPH	1.00	1.13	0.13	12.50	−5	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition	PLI	7.25	9.50	2.25	31.03	11	0.00	0.00	12.63	6.75
NYS	Lilly Eli Co.	LLY	76.13	75.75	−0.38	−0.49	19	2.00	2.64	90.38	58.75
NYS	Marion Labs (H)	MKC	35.25	36.13	0.88	2.48	21	0.80	2.21	36.50	21.00
NYS	Merck Co. (H)	MRK	87.63	96.00	8.38	9.56	21	2.24	2.33	96.00	67.00
NYS	Mylan Labs	MYL	18.75	21.25	2.50	13.33	23	0.20	0.94	24.75	13.75
NYS	Par Pharmaceutical	PRX	4.63	5.25	0.63	13.51	−4	0.00	0.00	8.13	3.38
NYS	Pfizer Inc. (H)	PFE	83.50	90.50	7.00	8.38	19	2.64	2.92	90.50	54.50
NYS	Rhone-Poulenc Rorer	RPR	69.25	72.25	3.00	4.33	−46	0.84	1.16	78.25	56.50
NYS	Schering Plough	SGP	42.38	45.63	3.25	7.67	18	1.12	2.45	50.75	37.00
NYS	Syntex Corp. (H)	SYN	60.88	66.00	5.13	8.42	20	1.60	2.42	66.00	46.75
OTC	Taro-Vit Industries	TAROF	2.75	3.00	0.25	9.09	−50	0.00	0.00	3.13	0.88
NYS	Upjohn Co.	UPJ	36.88	40.38	3.50	9.49	21	1.16	2.87	44.63	33.00
NYS	Warner-Lambert (H)	WLA	69.00	72.00	3.00	4.35	20	1.76	2.44	73.13	49.63
OTC	Zenith Labs	ZENL	5.50	5.75	0.25	4.55	−1	0.00	0.00	9.50	3.75
Other retailer transactions											
NYS	Albertson's (H)	ABS	37.13	38.88	1.75	4.71	24	0.48	1.23	38.88	24.38
NYS	American Stores	ASC	59.50	62.63	3.13	5.25	14	1.12	1.79	71.50	42.63
NYS	Giant Food	GFS.A	30.25	28.75	−1.50	−4.96	15	0.60	2.09	30.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	46.50	48.63	2.13	4.57	12	0.80	1.65	59.63	37.75
NYS	Kmart	KM	28.75	32.88	4.13	14.35	20	1.72	5.23	37.00	23.38
NYS	Kroger (H)	KR	14.00	19.00	5.00	35.71	73	0.00	0.00	19.00	10.63
NYS	Melville Corp.	MES	43.75	46.75	3.00	6.86	13	1.44	3.08	57.75	32.75
OTC	Fred Meyer	MEYR	12.00	14.25	2.25	18.75	−71	0.00	0.00	18.25	10.00
NYS	Penney, JC	JCP	46.88	52.88	6.00	12.80	9	2.64	4.99	70.88	37.38
NYS	Safeway	SWY	13.25	16.38	3.13	23.58	41	0.00	0.00	16.88	10.25
NYS	Smith's Food & Drug	SFD	30.00	34.13	4.13	13.75	25	0.36	1.05	34.50	23.25
NYS	Wal-Mart	WMT	31.13	34.25	3.13	10.04	31	0.12	0.35	36.75	20.25

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

DRUG STORE NEWS for the PHARMACIST

VOL.1/NO. 2 THE JOURNAL OF RETAIL PHARMACY FEBRUARY 18, 1991

SPECIAL REPORT

Rx in E. Europe difficult despite changing times

By Marilyn Conlon Powers, R.Ph.

The winds of change sweeping across Eastern Europe are bringing problems and opportunities for the profession of pharmacy. On a recent trip we spoke with pharmacists in Poland, Estonia and Leningrad and found them excited over their new freedom and opportunities to make things better, for themselves and for the societies of which they are a part.

Our first stop was Gdansk, birthplace of Lech Walesa's Solidarity Movement. Our driver and guide, Ludwig, described conditions in Poland as the country struggles toward democracy and a free economy. Necessities are in short supply, inflation is serious, and unemployment is worsening.

In a very old, but well restored, pharmacy off the medieval town square, we

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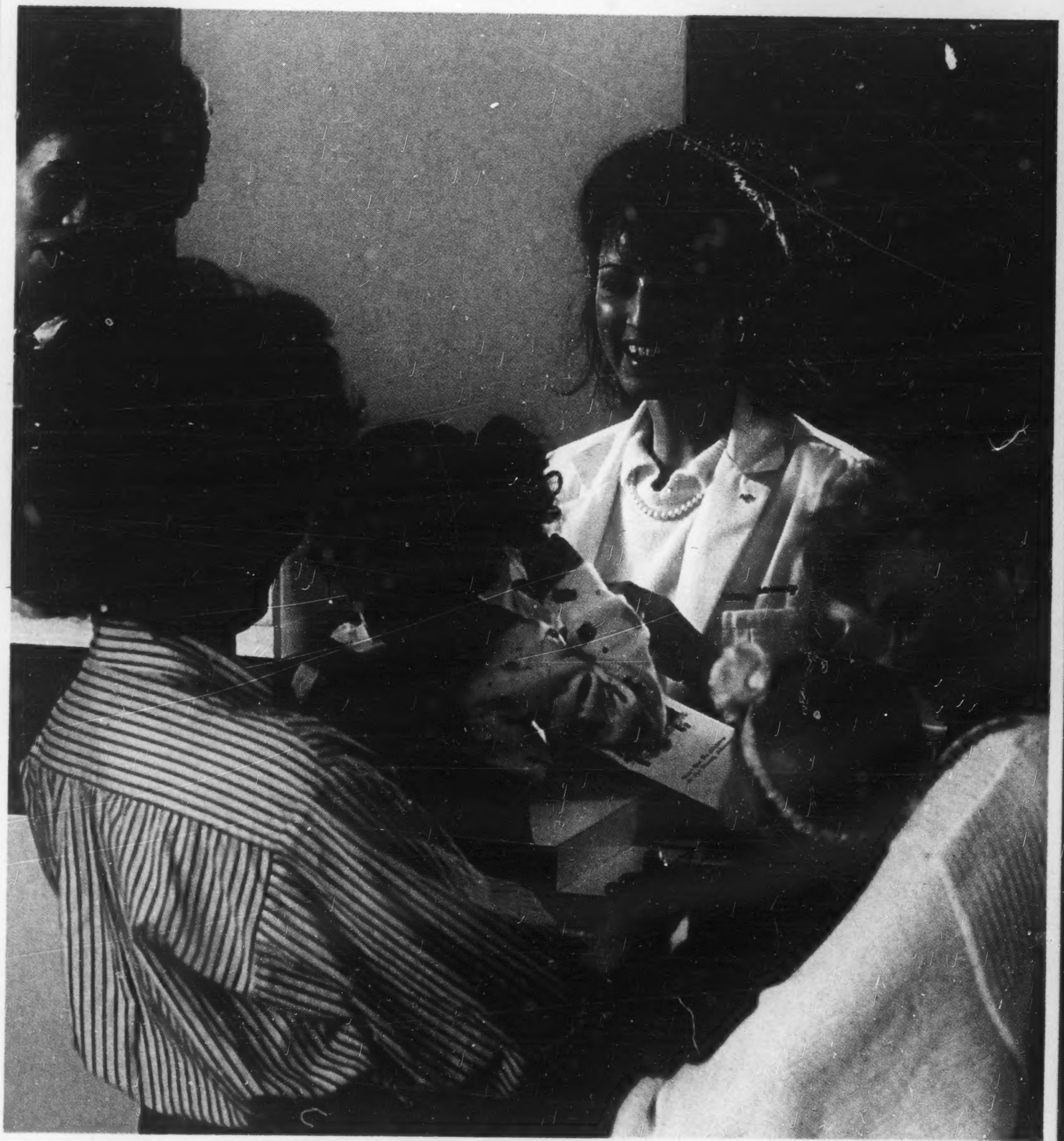
In-house pharmacy scores with HMOs



Insurance companies are opening their own pharmacies in an attempt to keep costs down while providing quality third-party care to policy holders. Retailers say the competition is unfair because they're not playing on an even playing field.

Continued on page 13

In-house pharmacies score with HMOs

By Elizabeth Richardson

HOUSTON — Without fanfare, but with determination, insurance companies around the country are getting into the business of filling prescriptions, much to the chagrin of retail pharmacists who argue it is unfair competition.

Citing patient convenience and cost effectiveness as major reasons for getting into the pharmacy business, several national insurance companies have rolled out their own in-house pharmacies, generally housed in HMO units with one of the heaviest concentrations located here.

While some pharmacists are resigned to the fact that insurance companies have entered the business, many say that they are not playing on the same retail playing field.

Unless in-house pharmacies operate under the same rules as drug stores, the smaller store will fade away.

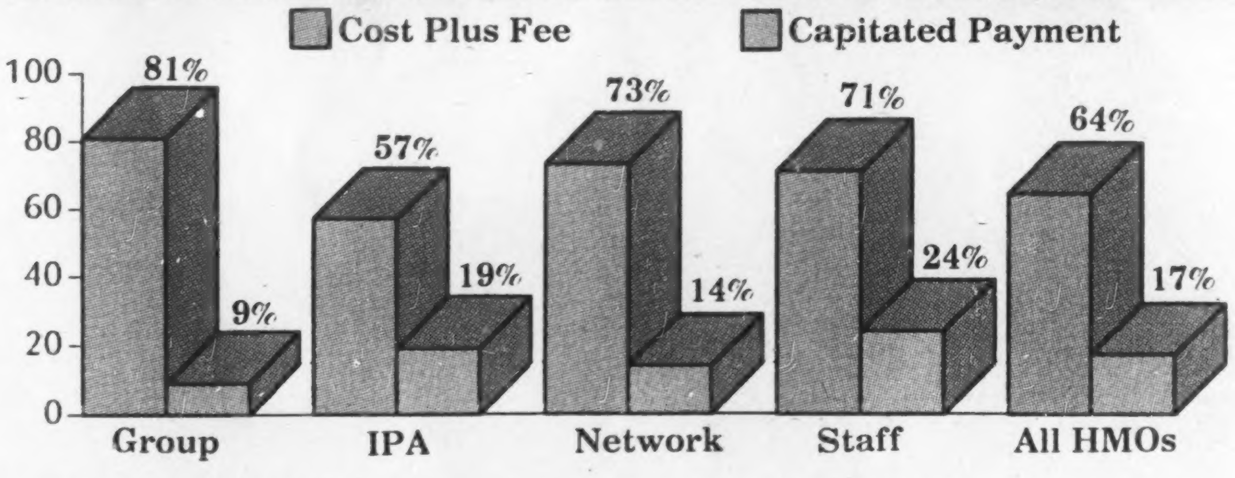
"I have no doubt that these operations will save people money," said Keith Dunavent, vp at Town & Country Drug Stores, headquarted in Fort Worth. "But the cost savings comes from the disparity between pricing of the available cost of goods to retail pharmacists versus their contract prices with manufacturers. [Insurance companies] receive preferential treatment on acquistion costs, that's why these pharmacies work."

Forging ahead

Despite the inequities, insurance companies have forged into the pharmacy business, some as early as 1982. The pharmacies are managed either by the insurance companies themselves, or by independently owned operators which serve a number of carriers. Although CIGNA Healthplan houses 60-plus pharmacies nationwide, some members may get their prescriptions filled by independent operations working under the CIGNA umbrella. One example of an independent insurance pharmacy operator is the Kelsey Seybold Clinics, servicing patients from Sanus, Equicor, CIGNA, and Met Life in the Houston area.

COMPENSATION OF PHARMACIES, BY MODEL*

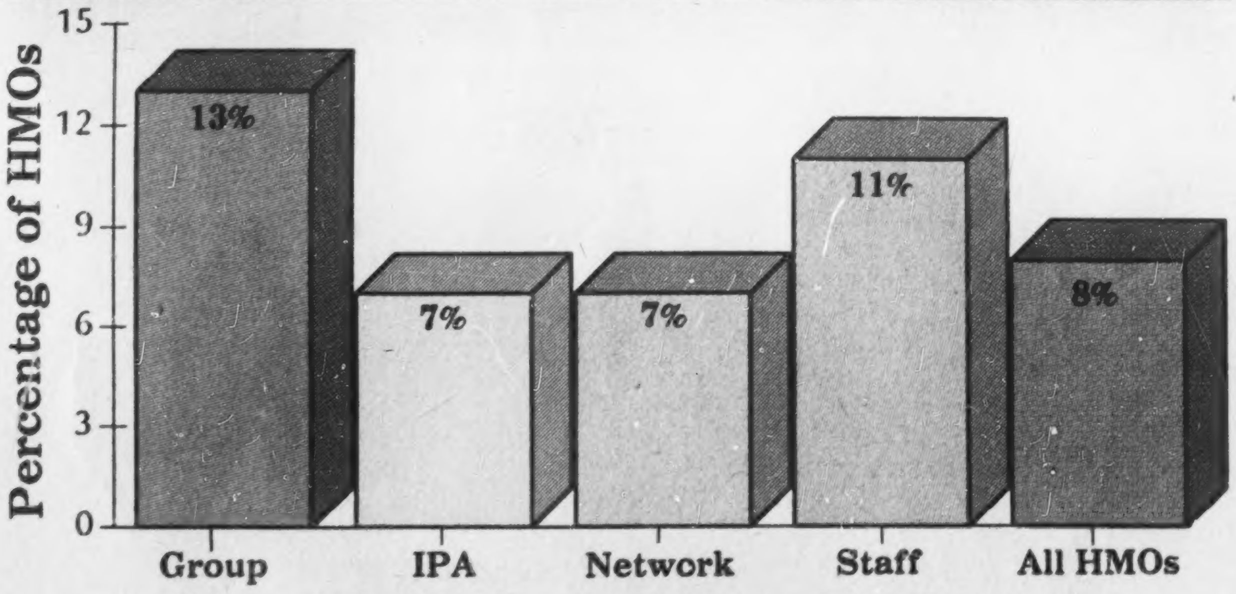
Percentage of HMOs



*HMOs gave multiple answers. Totals add up to more than 100% of the HMOs in the sample.

Source: Marion Managed Care Digest/SMG Marketing Group

PERCENTAGE OF HMOs USING MAIL ORDER, BY MODEL



Source: Marion Managed Care Digest/SMG Marketing Group

At least one Houston retailer has taken advantage of the interest in pharmacy by insurance companies. Beekman Drug Corporation, once a small, two-store apothecary chain, pioneered the first two Prudential PruCare pharmacies in the early '80s. The insurance company bought the units in 1982, and set up its pharmacy management system, which was revised to a more efficient structure in 1990. Today Prudential supports 53 PruCare pharmacy sites nationwide—10 which are located in the Houston area alone.

Retailers lash out

Some retailers have lashed out at these pharmacies as being poorly regulated prescription centers that are able to exist because manufactuers sell product to them below an average retailer's cost.

Not so, says Dan Clark, manager of pharmacy services for Houston's PruCare pharmacy team. Clark, who previously worked as a staff pharmacist for several independents in the Houston area, thinks that the retailer's criticisms of PruCare's facilities, and others like it, are unfounded. If anything, says Clark, they are intensely regulated, which has actually helped make the PruCare system more successful than was ever anticipated.

"What most people don't understand, is that we're regulated probably more than a regular retail pharmacy is," he said. "We get checked by the state board of pharmacy, the department of health, the department of insurance, and by Prudential itself—which is probably the most stringent of all the audits. Being under the microscope as much as we are, has increased our willingness and sensitivity to providing the best quality of care possible."

However, Town & Country's Dunavant contends that until these type of pharmacies operate under the same pricing guidelines as traditional drug stores, the smaller drugs store will simply fade away.

"Ultimately when it comes to pharmacies that deal in exclusive contracts, the bigger will get bigger but the smaller *won't* get smaller, they will just go away."

While that may be true, the PruCare, CIGNA and Kelsey Seybold pharmacies are much smaller than most traditional drug stores. They basically fill prescriptions and have a very limited front-end business. Most are housed within the "group model" units along with physicians' offices, optical, dental, and x-ray labs. In

Continued on page 16

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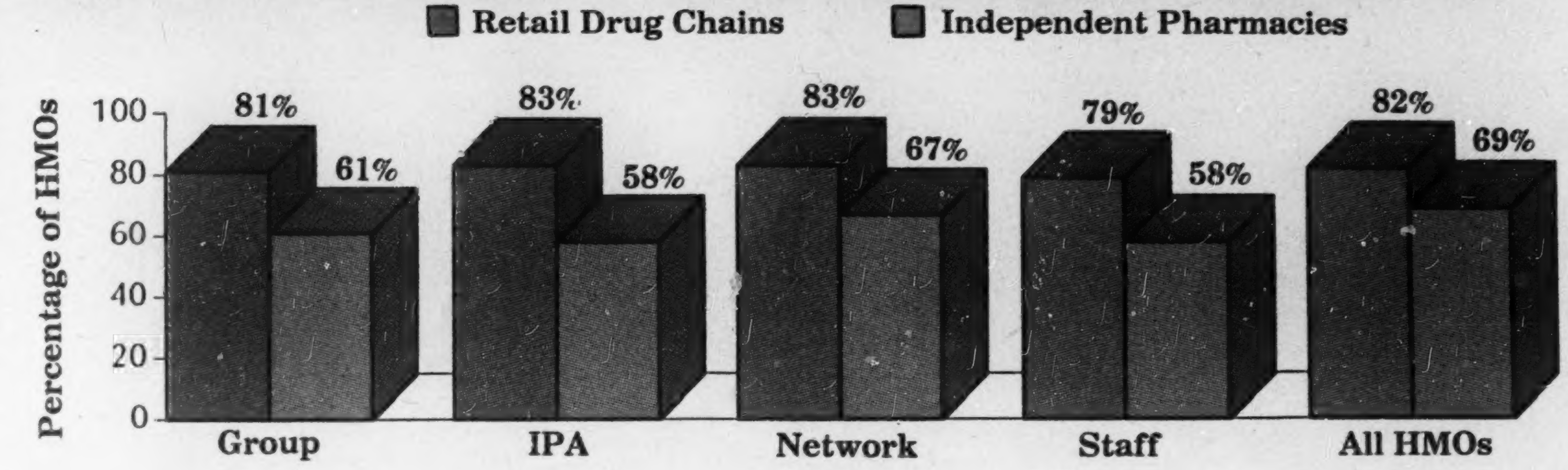
CONTRACT PHARMACIES USED, BY OWNER*



*HMOs gave multiple answers. Totals add up to more than 100% of the HMOs in the sample.
Source: Marion Managed Care Digest/SMG Marketing Group

In-house pharmacies score big

Continued from page 13

some circumstances, the pharmacies may stand alone in certain locations. Group insurance policy members are the pharmacies' only customers, including retirees who are allowed to continue the service.

Hours vary among locations. However, most maintain a 9 to 5:30 schedule, Monday through Friday, with no weekends or nights. Since all of PruCare's facilities are situated within medical buildings, 24-hour operations aren't part of PruCare's long-range plan, PruCare's Clark says, but he doesn't entirely dismiss the idea either.

Benefits

According to Clark, the system benefits for both customers *and* pharmacists.

Most customers pay $2 to $5 as a co-pay fee for prescriptions. Maintenance drug supplies for three months are also available for a $15 co-pay fee. The pharmacy will mail a customer's maintenance drugs to them, but doesn't advertise a "mail order service" per se.

While critics attack the pricing structure on pharmaceutical products these pharmacies are allowed, Clark believes the cost savings equals out in the long run. "Sure, we get some pricing breaks, but most people think we buy like the government, and we don't," he said. "In addition, our customers, since they pay an insurance premium, expect to get some cost savings."

Good working environment

Pharmacy personnel contend the atmosphere is great because of the professional interaction with physicians. "Our advantages, in my bias, is that we have an increased degree of professionalism, in regards to the potential daily interaction with physicians and nurses," said Ramie Ramirez, Kelsey Seybold's director of pharmacy.

According to some insurance company staff pharmacists, patients could also benefit. "We can be more involved in a patient's therapy because we work so closely with a medical group," said Christine Boss, a PruCare pharmacist-in-charge. "There are so many changes in the drug industry, so the more questions you're asked, the more on top of things you are."

Advancement opportunities are also a plus for pharmacists. PruCare's Clark himself was a director of administration at two different managed care divisions for a stint before heading back as pharmacy manager in 1990.

While insurance prescription programs like those at Prudential, CIGNA and Kelsey Seybold have been successful, their founders don't think the systems pose a big threat to retail pharmacy outlets. Says Kelsey's Ramirez, "Sure, in the early days, we were a threat to the retailer—that was before all of the pies got divvied up. Now we just try to survive like everyone else."

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Chains get aggressive in diabetes marketing

More than 14 million Americans have diabetes—and almost half are not even aware of it—with as many as 600,000 new patients diagnosed yearly.

NEW YORK — Drug Fair of N.J. will take part in a diabetes screening program in concert with Diabetes Awareness Week.

Valu-Rite frequently advertises syringes and glucose monitors for diabetics in weekly circulars. Kerr, Eckerd, Osco and Genovese all stock full diabetes sections. Drug chains are clearly targeting diabetics by fortifying the stores' professional image, and help build a loyalty among highly productive customers.

More than 14 million Americans have diabetes—and almost half are not even aware of it—with as many as 600,000 new patients diagnosed yearly.

Actions are being taken by several groups to urge people to take a quick test for diabetes; Medicine Shoppe and Phar-Mor have participated in screening programs.

Important to pharmacies

Not surprisingly, drug stores are the leading outlet for the purchase of diabetes maintenance items. Some sources estimate drug stores account for 60 percent of purchases.

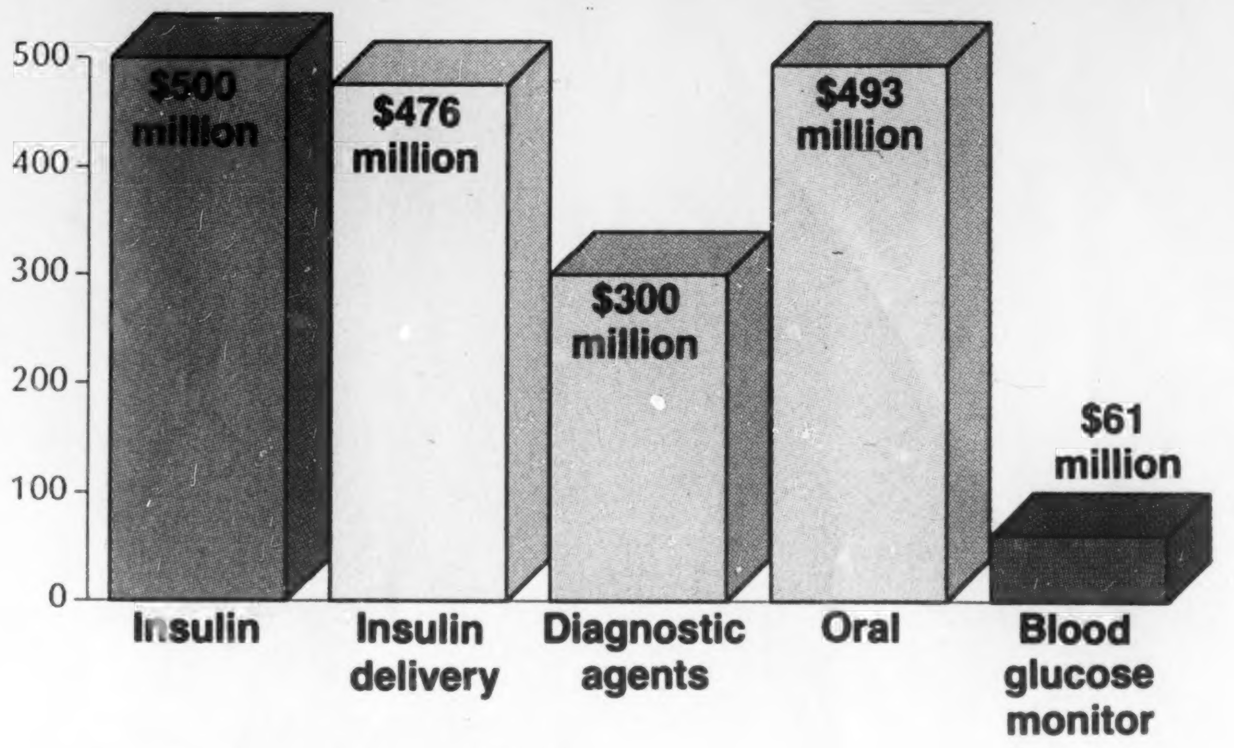
And as counseling becomes even more important,, diabetes is an area pharmacists must be ready to deal with, according to Glen Cureton of SRI International, a research firm which recently completed a study of the role of the pharmacist in the future.

"Pharmacists' attention to their customers with diabetes can, in the long run, save patients' eyes and limbs and cut down on the incidence of long-term complications," noted Betty Page Brackenridge, president of the American Association of Diabetes Educators.

If a patient develops a rapport with the pharmacist, he's also likely to remain loyal to that store. Repeat business can translate into big dollars since an average customer with diabetes spends more than seven times that of a typical shopper.

"The customer with diabetes is a major source of revenue," confirmed a pharmacist at a Valu-Rite in Tarrytown, N.Y. Added a source for Drug Emporium, "We really cater to the diabetes patient." Drug Emporium reportedly does a brisk business because of the deep discounts on the wide array of diabetic needs.

U.S. Diabetes Care Market 1990



Total market = $1.8 billion
Source: Frost & Sullivan

According to a recent study conducted by Frost & Sullivan, New York, the total U.S. Diabetes Care market totals $1.8 billion. Insulin, according to Frost & Sullivan, produces $500 million of the total, followed by insulin delivery ($476 million), Oral agents ($493 million), Diagnostic Agents ($300 million) and Blood Glucose Monitors ($61 million).

Insulin

Pharmacists must be able to counsel consumers, especially newly diagnosed patients, on insulin. One company, Novo Nordisk, developed a wide array of support material to help pharmacists set up a Diabetes Information Center in the stores.

Oral hypoglycemics

Hoechst-Roussel Pharmaceuticals Inc., makers of Diabeta, a class of oral agents for non-insulin dependent diabetes, remains devoted to diabetes research through the Diabetes Research and Education Foundation. For patients, the firm has an 800 number plus patient brochures.

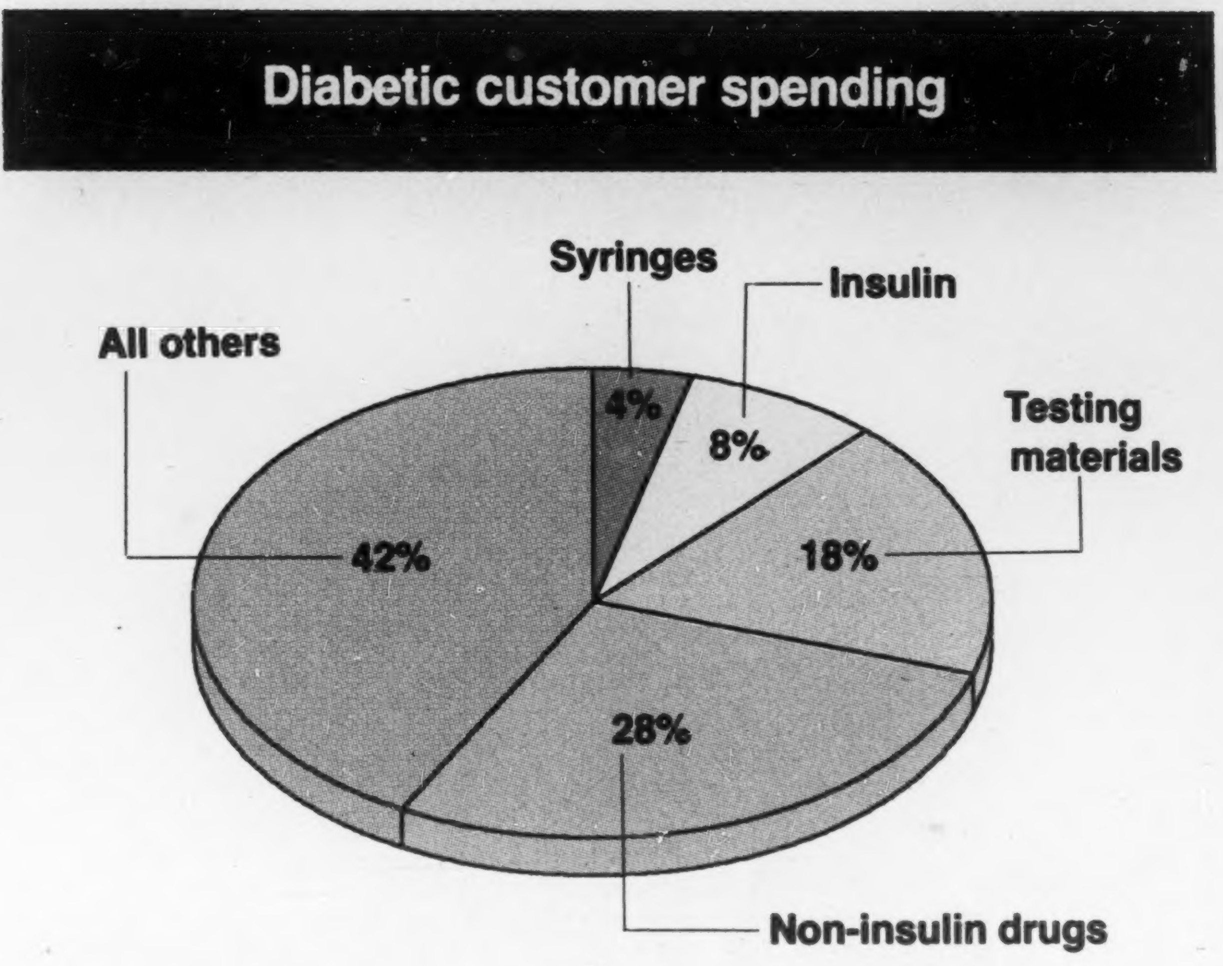
Test kit market expands

According to retailers, diagnostic test kits represent an area with tremendous potential. "We do a good job with kits, especially under $50," observes Paige Ilderton, buyer for Kerr Drug.

New products, lower prices and improved education are driving kit sales ahead 15 percent to 20 percent. Diabetes test kits is now a $500 million retail business. Research from Frost & Sullivan terms the self-diagnostic home health care market potential as "enormous."

Chains such as Eckerd and Osco have created special test kit departments, often in proximity to pharmacy. Although some retailers keep the kits behind the pharmacy, manufacturers recommend bringing

Continued on page 21


Diabetic customer spending

Source: Manufacturer estimates

Big profits for test kits

Continued from page 19

the items out in the open where customers can easily see them.

Some of the best sellers: Accu-Chek from Boehringer Mannheim, Medi-Sense's Exac-Tech and Ames' Glucometer III.

Some of the newer items gaining interest: One Touch II from LifeScan, a portable device that makes blood glucose testing easier. One Touch II can achieve clinically proven accuracy in only 45 seconds.

From Wampole Laboratories (a division of Carter-Wallace) comes Answer Blood Glucose Monitoring System. According to Tom Berg, marketing manager, the self-glucose monitor system is a state-of-the-art no wipe, "no time" system that can reduce errors.

Comfort sells syringes

The one billion-unit syringe business remains one of the most competitive areas of diabetes merchandising. The most dramatic change in the business is that consumers are injecting themselves with smaller dosages, more frequently. That means they're using more syringes (category growth is pegged at three percent per year) and are concerned more with comfort. Two major brands vie for the consumers' choice, Becton-Dickinson and Terumo.

Although B-D commands more than an 85 percent share, Terumo has emerged as a major contender. Several retailers contacted by *DrSN For The Pharmacist* report they stock both options. Several mentioned interest in B-D's newest entry, Ultra Fine. "Its positioning is as a thinner product to seek more comfort, and we've seen that comfort is very important to the customer," explained Bob Singley, director of marketing for B-D.

Some say B-D's new entry will compete head-to-head with Terumo's 29 gauge syringe. Said Dan Cedrone, national sales manager for Terumo, his company's syringes retail for 25 percent less than competitive items thanks to state-of-the-art production capabilities allowing them to. "We can pass on the savings to the customer," he said.

Retailers applauded both firms' promotional and consumer education programs. B-D, for example, offers patients everything from tips to a cookbook. It is also working on a safe disposal program that fits in nicely with current "green" efforts. Singley said that the products are equipped with proper disposal instructions.

Another insulin delivery system is the NovolinPen, developed by Novo Nordisk. The product is especially suited for patients who have to inject several times a day.

Correction

A chart on wholesaler voluntary programs in the Dec. 10 issue incorrectly identified Cardinal Drug's voluntary program as Good Neighbor Drug. Good Neighbor is the name of Bergen-Brunswig's voluntary program. Cardinal's program is called Leader Drug.

Does your profile fit?

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Bruce Buckley
Chief Editor

C5150-2

The newspaper of drug store retailing
March 4, 1991

DRUG STORE NEWS®

Vol. 13 No. 5
A Lebhar-Friedman publication

LATE NEWS

- **TROY, Mich.—Arbor Drugs has promoted Leonard Tempalski to vp-store operations.**
- **PONTIAC, Mich.—Perry Drug Stores has promoted four support managers to directors: Mona Hamood, third party; Paul Maxwell, payroll and administrative services; Betty Otterbein, employee information and benefits; and Deborah Walden, sales audit.**

FEATURES

Hair care sales show bounce

Research shows hair care sales increased nearly 4 percent during the first eight months of 1990. **Page 15.**

Costume jewelry shines at chains

Chains are beefing up their jewelry sections as today's women show a new i

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SECOND CLASS

F&M looks beyond 100-unit mark

By James Frederick

WARREN, Mich. — True to predictions made four years ago, F&M Distributors will unveil store number 100 early this spring. That opening is part of a planned 17- to 20-store expansion by the end of F&M's fiscal year next Jan. 31.

"We're already well beyond [store number 100] in our planning," said F&M president and chief executive Frank Newman. "We're at the 117th store in our planning process, and we'll end the year with at least 133 stores—more if construction allows."

The fast-growing off-price chain will hit the 100-unit mark the week of April 8 with

See **F&M** *page 33*

HEALTH & BEAUTY AIDS
F&M

F&M store count will reach 100 next month, and 133 by the end of 1991.

OSMETICS
REVLON

Happy Harry's sparkling new format emphasizes service. Near cosmetics bullpen, chain president Alan Levin chats with customer.

Happy Harry's readies strategy for home turf

Small Operator Focus

NEWARK, Del. — Bolstered by an understanding of its home state and its customers, Happy Harry's is forging ahead with growth and renovation plans and setting up a battle strategy to deal with aggressive new supermarket and discount store competition.

The heavyweight rivals include Wal-Mart, which is set to open units in Dover and Milford, Del.—the giant discounter's first penetration of "the First State." As an integral part of its strategy, Happy Harry's is seriously considering going into the Milford shopping center with Wal-Mart and Food Lion, the ag-

See **Happy Harry's** *page 33*

Proposal to ban tobacco stirs Rx protest in Canada

TORONTO — A proposed ban on the sale of all tobacco products in Ontario's 2,160 drug stores has whipped up a firestorm of protest and pitted different segments of the pharmacy profession against one another in Canada's most populous province. Long before the proposal reaches the provincial legislature for a vote, many drug chains and independent pharmacists are working hard to defeat the measure or soften its language.

Similar efforts to ban tobacco sales in the neighboring province of Quebec have also gathered steam. The progress of both efforts is being watched closely by retailers in all trade classes, and throughout the country.

"It's a very major issue here, especially in Ontario and Quebec," said David Bloom, chairman and ceo of Shoppers Drug Mart and head of the new Canadian Association of Chain Drug Stores, which opposes the measure. "I'd say 90 percent of our time and efforts at the CACDS are concentrated on this right now."

See **Tobacco** *page 33*

Postal hike puts squeeze on direct mail advertising

By Susan Ball

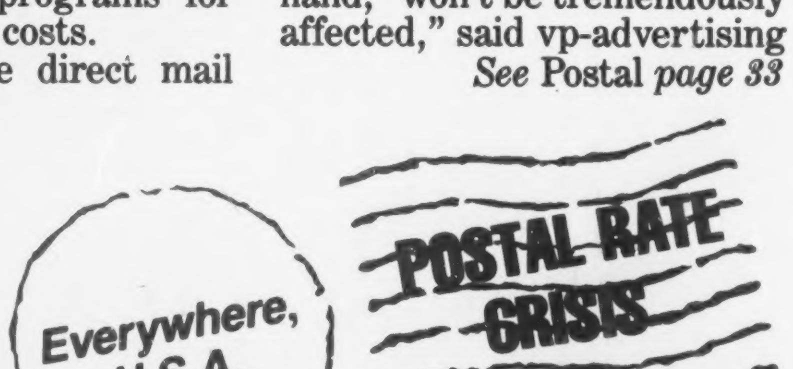
NEW YORK — Faced with an average 25 percent increase in third-class bulk mail rates—the second hike in three years—drug store operators that do direct-mail advertising are scrutinizing their own ad programs for ways to contain costs.

Chains where direct mail represents a major part of their advertising programs will be hit hardest.

For Perry Drug, with about 90 percent of its print advertising in direct mailings, the new rates will have a big impact, said vp David Green. So Perry, along with many other chains, is reviewing the size of its ad vehicles and the amount of distribution.

Harco Drug, on the other hand, "won't be tremendously affected," said vp-advertising

See Postal *page 33*



NEWS IN BRIEF

Med-Glaser execs make their moves

ST. LOUIS — Some Medicare-Glaser executives didn't waste time finding new posts after Walgreens bought the chain in a December bankruptcy court auction.

Ken Friedman, who had been Medicare-Glaser's vp administration and corporate counsel, has moved across town to Medicine Shoppe where he will be corporation counsel.

Jim Cordes, Medicare-Glaser's director of pharmacy, has joined the St. Louis-based Schnuck's supermarkets as head of pharmacy services.

Walgreens is expected to hire some Medicare-Glaser pharmacists and store associates, after having taken over four Medicare-Glaser leases.

New look for Snyder Bros.

EDINA, Minn. — After years of putting its core OTCs and HBAs on the perimeter of its stores, Snyder Bros. is reversing its approach. The chain is rolling out a new format which puts core HBA departments into the central aisles. Housewares and other non-core general merchandise go up along the walls. Three of the chain's 21 stores in greater Minneapolis/St. Paul were converted to the new look. Chainwide overhaul is due by the fall, said Snyder Bros. retail director Jim Lauterbach.

McKesson expanding DCs

SAN FRANCISCO — McKesson Drug plans to double its capacity in the Detroit market by building a $12.5 million, 234,000-square-foot distribution center in suburban Plymouth, Mich.

Scheduled for completion in the summer of 1992, the facility is the fifth new construction McKesson has undertaken this year. In January, McKesson plans to replace four of its 45 DCs with new facilities in Atlanta, Philadelphia, St. Louis and Phoenix.

The Plymouth facility replaces a 102,000-square-foot DC in Highland Park, Mich., from which McKesson distributes pharmaceuticals and HBA to pharmacies and hospitals in Michigan.

Wholesale Club/Wal-Mart merge gets OK

BENTONVILLE, Ark. — Shareholders of The Wholesale Club have approved the previously announced merger of the company with Wal-Mart Stores. The merger makes The Wholesale Club's 28-store chain of membership warehouse clubs a wholly owned subsidiary of Wal-Mart.

Wal-Mart also operates 148 Sam's Wholesale Club stores, as well as 1,573 Wal-Mart stores and four Hypermart*USA stores in a 35-state trading area.

Family portraits sent to troops

EAGLEVILLE, Pa. — I Got It At Gary's is taking professional portraits free of charge of family members and loved ones of troops serving in the Persian Gulf.

"We feel our Expressions Portrait Studios provide a natural way to send an important emotional message and also one of support," said Gary Wolf, president of the company. No purchase of any type is needed for this program and no appointment is necessary.

All that is needed is a military address where the packets can be sent. The chain is absorbing all costs.

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Patriotic merchandise enlists BTS show-goers' attention

NEW YORK — Bedecked with American flags and yellow ribbons, the Back-To-School Merchandise Show held here recently reflected the country's preoccupation with the war in the Persian Gulf, even as sales pitches and deals proceeded as usual.

The camouflage theme showed up on Dixon Ticonderoga pencils (along with Saddam Hussein's likeness and "Public Enemy No. 1") and on new Holson Co. photo albums to be sold in about 300 PXs.

One booth, Taylor Associates, bristled with patriotic-themed shoelaces, keyrings, buttons, flag pins, antennae flags and bumper stickers. "Incredible," said Stu Taylor. "We're selling everything we can get." A portion of the proceeds will be donated to the Cooperative Defense Fund, he said.

Pentel donated 10,000 dozen "Econosharp" pencils to the troops, since "there aren't any pencil sharpeners in Saudi Arabia," a spokesman said.

And Betras Plastics of South Carolina has been shipping a truckload of 32-ounce squeeze bottles depicting war-effort themes to a troop embarkation center almost weekly since October.

Super-Calli-Graphics, which displayed suction-cupped car flags and yellow-ribbon lapel buttons alongside children's erasers and desk sets, shipped 150,000 patriotic items to drug chain and other retailers in three days, said president Marcia Miller.

But vendors and retailers alike voiced feelings of restraint about appearing to capitalize on Operation Desert Storm.

Geary Spencer, vp-merchandising, Fruth Pharmacies, summed up a common sentiment: "There are an awful lot of patriotic things here," he said. "We have mixed feelings about selling them. But our stores are calling to ask, 'When are we going to get our flag shipment?' We feel our customers need this. We're working on low margins so that we're not capitalizing on this."

Almost as pervasive as patriotic symbols at the show were "green" products. But again, retailers expressed ambivalence.

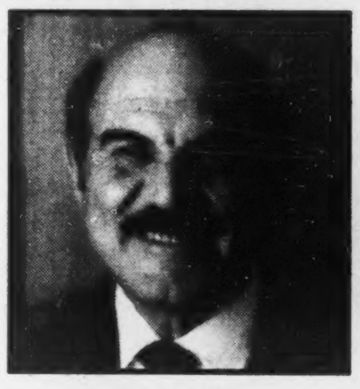
Jim Abraham of King Soopers said he was seeing better-quality "green" products and items containing a higher percentage of post-consumer waste at the show than ever before. He was looking for quality recycled notebooks and portfolios at good price points to add to his recycled paper assortment.

But Gerald Heller of May's said, "We're watching recycling," and Frank Neal of Vons said to bring in "green" products is "a real question."

"We're testing a small group of products, but the customer doesn't seem to want to pay more, or get less," Neal added.

The show, held Feb. 9-11, drew 471 exhibitors occupying 1,120 booths, according to Thalheim Expositions.

New presidents named at McK



Polastri
McKesson

Simone
McKesson

SAN FRANCISCO — Joseph Polastri, 63, president of McKesson Drug for the past five years, has been named president of the newly created McKesson Distribution Group.

Thomas Simone, 48, formerly a vp of finance for McKesson Corp., succeeds Polastri as president of McKesson Drug. Simone worked for McKesson Drug from 1973 to 1979 and since then has served in several corporate financial positions, including controller.

Douglas Nelson was named executive vp of marketing.

The new distribution group brings together the corporation's distribution operations, which include McKesson Drug, Service Merchandising and McKesson's Canadian affiliate, Medis Health and Pharmaceutical Services.

Establishing the group under Polastri "provides experienced, hands-on leadership to those businesses that account for the bulk of McKesson's sales and earnings," said Alan Seelenfreund, chairman and ceo, and Rex Malson, president and chief operating officer of the corporation, in a joint statement. McKesson Drug accounts for 85 percent of total corporate revenues, and Service Merchandising represents about 10 percent.

"Many of the customers and suppliers of our distribution businesses overlap," Malson and Seelenfreund continued, "and we believe that this new organizational structure will lead to closer integration of their activities, enabling us to respond more quickly and effectively to rapid changes in the marketplace."

Polastri, who was named a corporate vice president last year, has served McKesson for 40 years in a variety of sales and operational positions. He is currently serving a one-year term as chairman of the board of the National Wholesale Druggist Association. He is a graduate of Clark University in Worcester, Mass.

"We are fortunate to have Tom Simone succeed Joe Polastri as head of McKesson's largest operating unit," Seelenfreund and Malson said. "Tom brings to his new assignment experience in pharmaceutical distribution, strong managerial and financial qualities and real enthusiasm for the task."

Simone, who previously worked for Motorola and The Keebler Co., was one of two vps of finance for McKesson Corp. Continuing as vp-finance is Gary Scholz.

Aff./Ass. hits 65 this year

NEW YORK — Affiliated/Associated Drug Stores is gearing up for its 65th year, and its Spring and Fall 1991 buying shows.

Members will be heading to Dallas for the April 11 to 14 spring show, after members and exhibitors nixed Louisville, Ky. as too difficult to reach, said Jim Devine, Affiliated/Associated president.

Devine said the association is aiming for 175 vendors in Dallas's Loew's Anatole. At press time, about 100 vendors had signed for the show, which will emphasize Christmas sundries and gifts. He feels the rate of sign ups is on target.

At the Fall show in Orlando Sept. 20-22, a celebratory event will mark the organization's 65th year.

Since joining as president last year, Devine has taken a hard look at their focus. Goals include greater emphasis on member services, and support in many areas, from sourcing vendors to coupon redemption.

The group was fast off the mark when Operation Desert Storm broke in the Persian Gulf, FAXing members with sources for flags and receiving over $100,000 in orders. Vendors for yellow ribbons and "Support Our Troops" T-shirts and sweatshirts were also tapped.

In staff changes, Darren DeGuire was named executive assistant, with duties including meeting planning. Doris Fitzell has resigned. Also, Devine said he is close to hiring a sixth buyer, who will focus on gifts and housewares, bolstering that category.

The group has picked up several new members including RDS, Inc., the new drug chain formed with the purchase of Southwestern Revco's and SupeRx of Phoenix stores.

How one 'mighty mite' is defending its turf

IN THE MARKET
BRUCE BUCKLEY

Big, as we all know, is not always better.

That's as true in the drug store industry as it is in all enterprises. The smaller players who know their markets and customers are often better suited to take advantage of local opportunities and score against bigger rivals who are less savvy about hometown nuances — the home team advantage, you might say.

Well, that's not always true. Little guys do get squashed. The weight advantage of a Wal-Mart, for example, can be overwhelming in any hometown contest (Wal-Mart, of course, has always thrived as the big honcho in the small-town arena).

Yet for the most part the mightiest mighty mites of the industry hold their own against the likes of Wal-Mart, even if they never topple them. Alan Levin of Happy Harry's (page 1) talks of learning to "work" with Wal-Mart — not compete with them — in a potential shared tenancy in a Milford, Del., shopping center.

"Hopefully," Levin says, "We'll learn to live with them before they come into the market in a big way." Levin has talked to others who have faced the heat of the Bentonville Behemoth. From battle-hardened Jerry Heller of May's Drug came the ominous advice: "Never open across the street from them." If Levin does decide to open in the shopping center with Wal-Mart, he'll keep the lease short — he's brave but he's no fool.

Happy Harry's is a good example of the small market player that has grown up in a neighborhood and knows the people who live there. It understands their issues. It knows, in a sense, how to speak over the backyard fence.

When a potential site is offered by a developer, Levin doesn't need any heavy-duty demographic studies to make up his mind. (Though he does climb into a helicopter, rented on a time-share basis, to scout the surroundings — that's only prudent.)

Happy Harry's guideposts are the same as any small player seeking to survive in a hostile time: Know your customers and listen to them. Hire good people and let them have a big say in what happens in the stores. Don't set up layers of executive fat at headquarters. Keep it lean. Be open to opportunities, such as institutional pharmacy, in which Happy Harry's is a leader in Delaware.

Alan Levin has established no layers between himself and customers. He personally calls everyone who lodges a complaint — about two a day on average, he estimates. In the stores, managers are given a lot of say in setting their shelves. They don't get planograms, they get "plano-suggestions." They're also encouraged to spend time on the floor with customers.

Happy Harry's has the same drive for profit as any other company. But as with all progressive companies, the drive for profits is tempered by human values. When the chain recently sold thousands of tee-shirts supporting the troops in the Persian Gulf, it donated all funds above dead-net cost to support groups for the troops. As of a couple of weeks ago, the donations amounted to $36,000.

That's typical of good small-market chains with home-town traditions like Happy Harry's: It refused to profit on the war and the lives of people sent to the Gulf, many of them from Delaware. As a side note: the story of the donation never even made the local press.

* * *

In this issue, we launch on a test basis a new editorial feature called Job Mart (see page 30). Executives who are out of work as a result of mergers or any other reason are welcome to use it in confidence — no charge. We hope that companies looking for talent will make use of it. We think there's a pressing need, and we hope to continue it. It's up to you.

Ball could be in unions' court with new bill

WASHINGTON PERSPECTIVE
KEN RANKIN

Twenty years ago, organized labor had the chain drug industry sweating bullets. Unions were gaining ground throughout retailing, and a number of labor leaders were targeting the nation's drug stores.

Indeed, a dozen different unions were actively organizing drug chain warehouse workers, delivery truck drivers and store sales clerks throughout the country.

Even more disturbing to many chain officials, however, was the warm reception that labor leaders were receiving from pharmacists. Every group from the Retail Clerks International to the Teamsters was successfully recruiting pharmacists into bargaining units—a trend that worried professional leaders at APhA as much as it scared chain drug execs.

Since then, organized labor's foothold in the retail drug industry has slipped considerably and unions are no longer viewed widely as a serious "threat" to the professionalism of pharmacy.

In part, that reversal reflects a sincere and successful effort by drug chains to address the underlying problem areas that prompted pharmacists to flirt with organized labor. But it also reflects efforts here in Washington to establish even-handed labor laws that protect the rights of workers as well as those of business owners, stockholders and consumers.

Now that balance is in danger as a result of legislation that could tip the scales in favor of unions, and leave drug stores vulnerable to crippling strikes by unions.

Under the present balance, unionized workers enjoy the right to strike, but employers have a corresponding right to continue in business by hiring replacements for the striking employees. As a result, there's pressure on both sides to resolve labor disputes without work-stoppages.

A new bill advanced by Rep. William Gray (D-MO), however, would destroy that balance by restricting the right of employers to hire replacements for striking employees.

Although the measure would not prohibit employers from hiring temporary substitutes for strikers, it would ban permanent replacements—a restriction that would make it extremely difficult to recruit new employees during a work stoppage.

How many job applicants would accept employment knowing that they would lose their jobs as soon as a striking employee decides to return?

The result would be a significant shift in bargaining leverage to organized labor. At a minimum, it would increase the likelihood of counterproductive work stoppages. And most likely it would spark a resurgence of recruiting activity by union organizers.

But even non-unionized drug chains and independent pharmacies would be directly impacted by Gray's bill. Under his proposal, whenever two or more employees walk off a job in a dispute over terms or working conditions, the employer would be barred from hiring permanent replacements.

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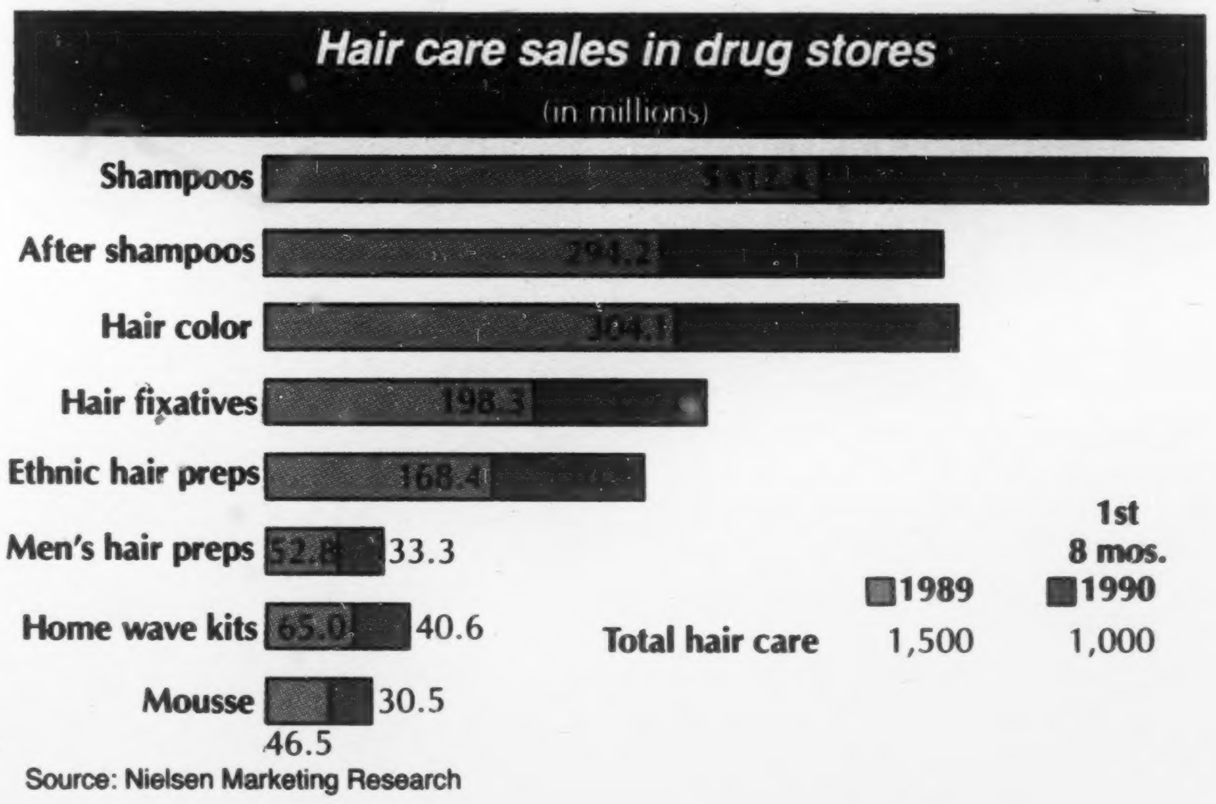
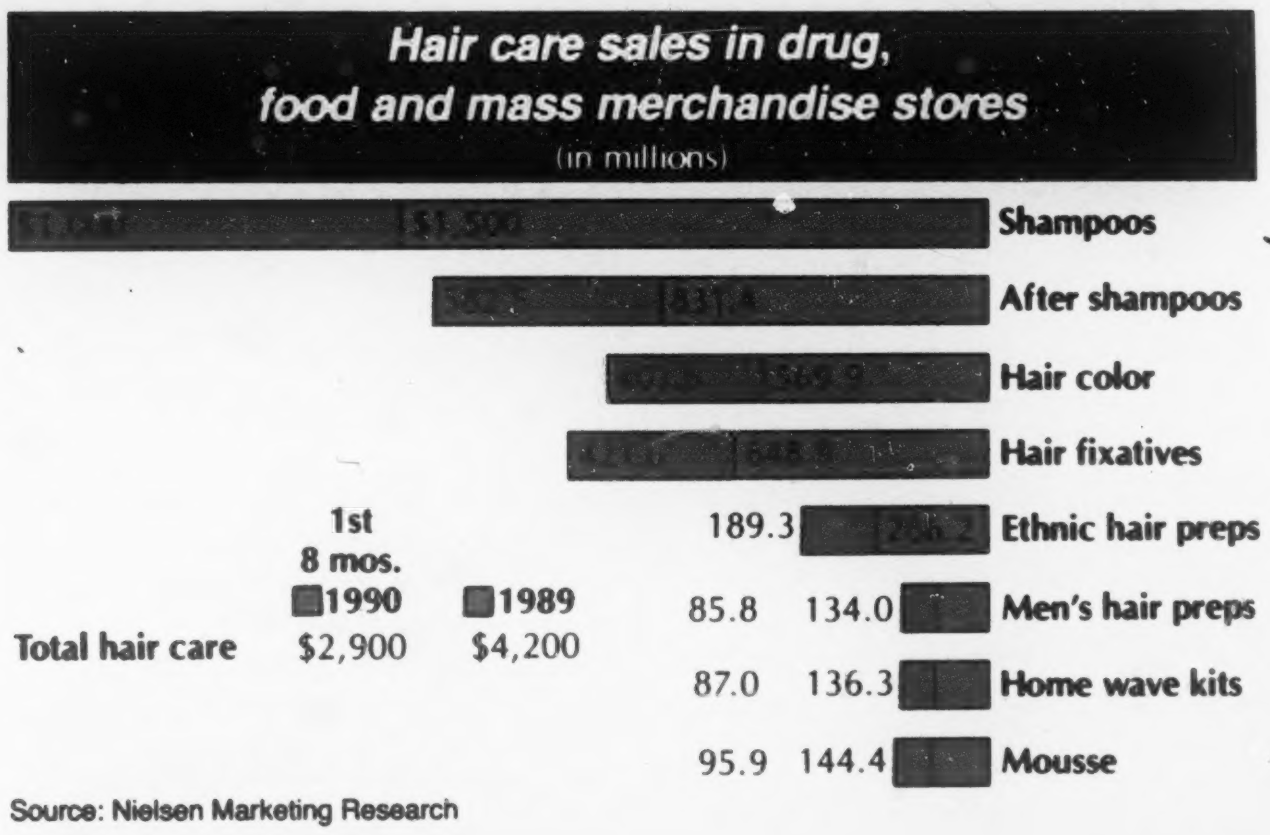
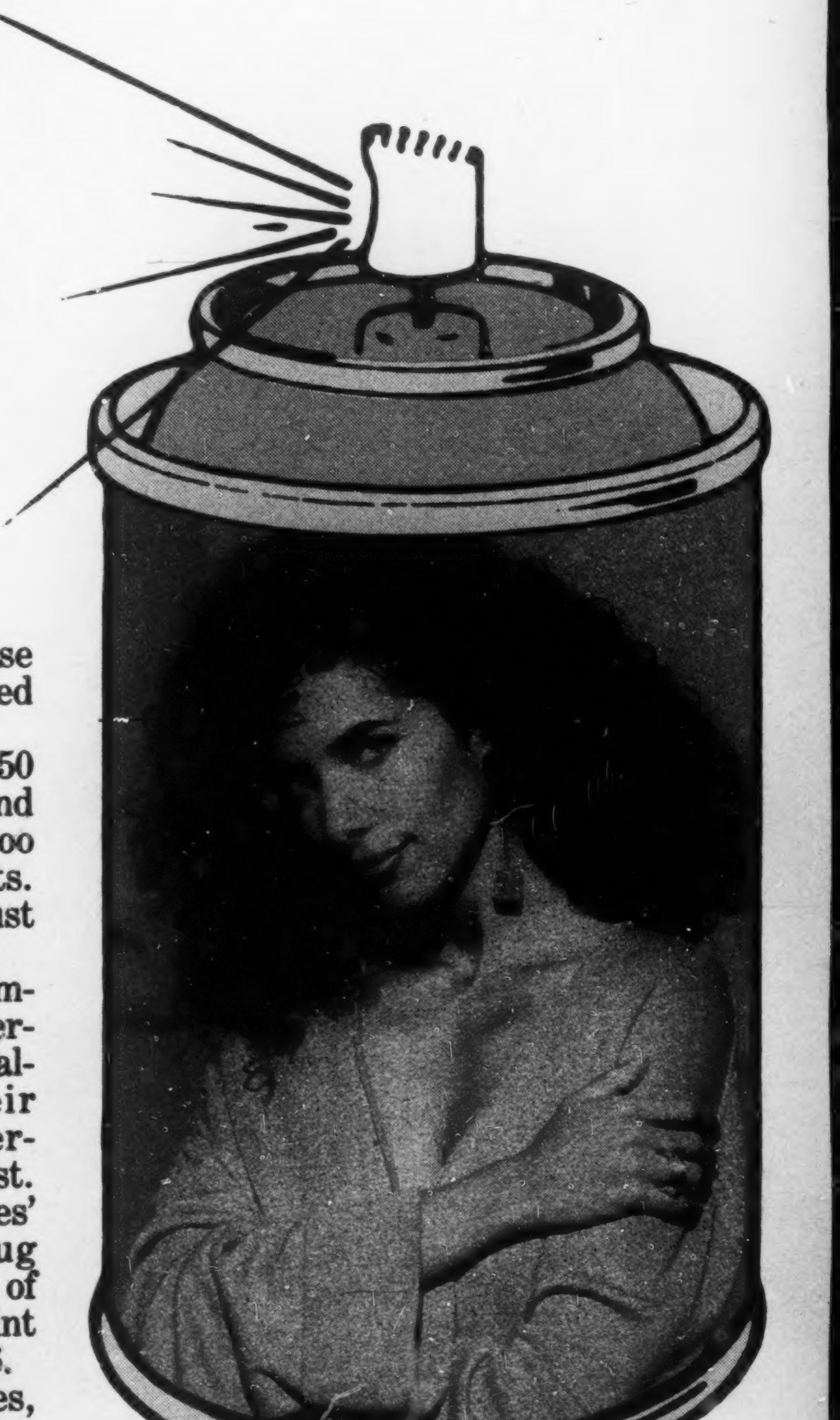


Source: Nielsen Marketing Research

Hair care sales show plenty of bounce



Source: Nielsen Marketing Research



Hair care, with sales twice that of skin care, continues to show strong growth for such a high-tonnage category. Total sales bounced up nearly 4 percent during the first eight months of 1990, reported Nielsen Marketing Research.

After shampoo/condition products, hair color and shampoos were the fastest growing last year. Fixatives, which had grown for several years, finally declined–by nearly 3 percent.

In drug stores, the fastest dollar sales growth was shown by shampoos, up 6 percent; after shampoos and conditioners, up 7 percent, and hair color, up 3 percent. The shampoo and conditioner segment was driven in part by such high-priced prestige lines as Salon Selectives, Pantene, Vidal Sassoon and Colorvive—and by the expansion of professional hair care sets.

Discounters also scored high with these categories. Shampoos were up nearly 8 percent, after shampoos rose nearly 9 percent, and hair color got nearly 11 percent richer. Ethnics rose 13 percent at discounters, compared with zero growth in drug stores.

Food stores, which already have a 50 percent share of all shampoo sales and a 42 percent share of all after shampoo sales, rose 3 percent in both segments. In hair color, where their share is just 20 percent, they were up 4 percent.

Hair color also turned highly competitive in 1990. Many drug store operators reported that the K marts, Wal-Marts and Targets in their neighborhoods aggressively advertised hair color at cost or close to cost. This poses a threat to drug stores' dominance of this segment. Drug stores now have a 52 percent share of mass hair color sales, down a point from 1989 and two points from 1986.

They also lost share in fixatives, mousse and for the category overall.

However, drug stores are stemming share erosion elsewhere. Their share of shampoo sales rose two points in 1990 to 29 percent, and home wave kits were up two points to 47 percent.

Styling aids remain big seller at Duane Reade

Styling aids are still one of the strongest growth segments at Duane Reade stores, retailer to thousands of career women in New York City.

Another active hair care trend is the development of more two-in-one products, like Pert Plus. But chain president Eli Cohen thinks it "could be a fad," and isn't worth a new merchandising section for two-in-one shampoo/conditioners.

He noted, for instance, that Vidal Sassoon's Ultra Care three-in-one formula has been slow to build a following at Duane Reade, and Revlon's Flex & Go needs more price parity with the traditional Flex line.

"At $1.00 above Flex it's not easy to promote."

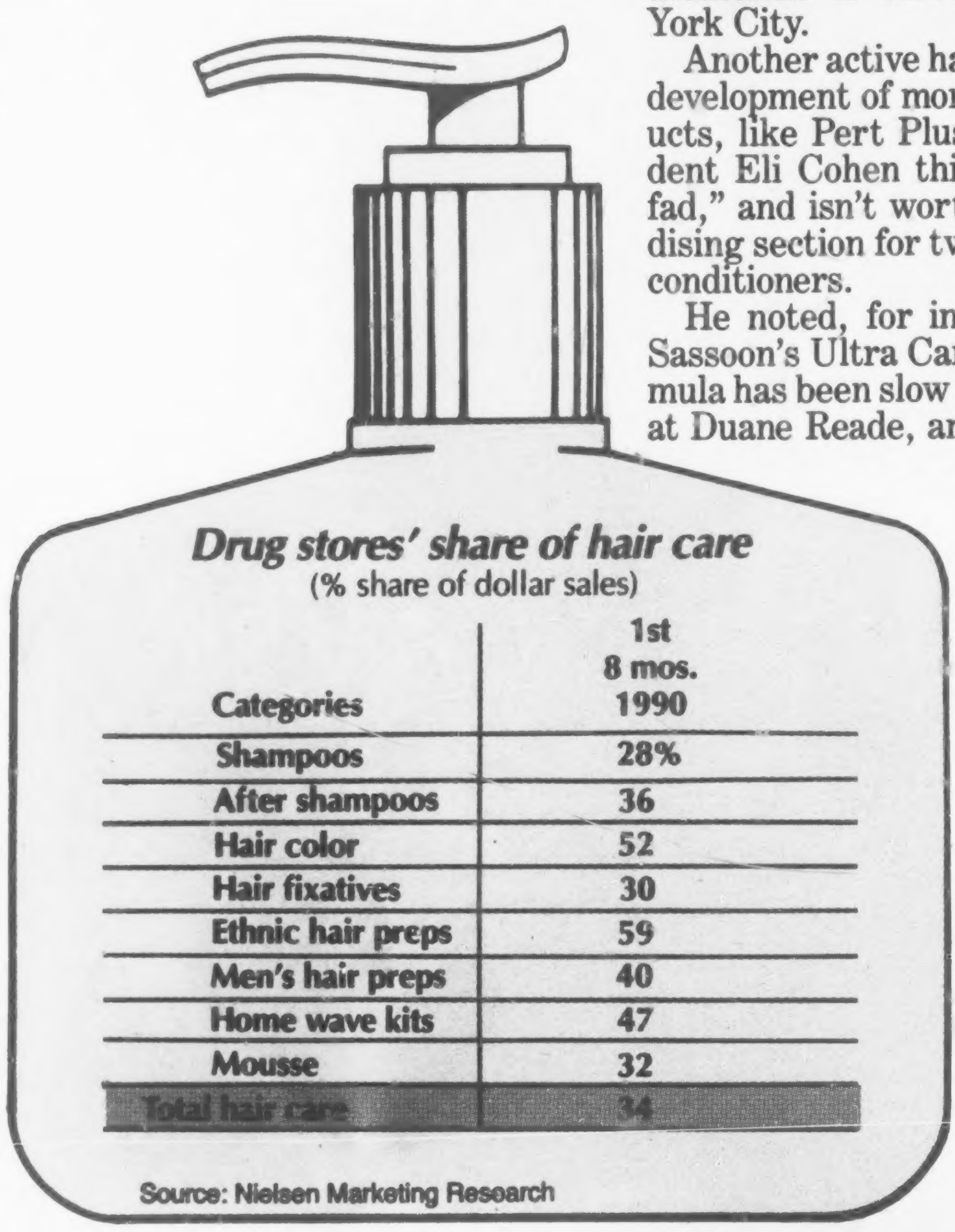
"Consumers are always looking for something that will do more for their hair. If they buy a shampoo, they want a rinse or conditioner too because they think if they add something else that will be even greater for their hair, so I don't know how long the two-in-one trend will last."

Colorvive, the color enhancing/color conditioning line from L'Oréal, is moving in Duane Reade stores, but not as quickly as expected.

"It's a hard sell," said Cohen. "Consumers need education, but it's beginning to pick up and its direction is good. A few years ago, the formulas for colored or permed hair used to be your slowest sellers. Now these formulas are right up there with numbers one and two.

Neutrogena's color/perm formula is doing well, as is the line as a whole.

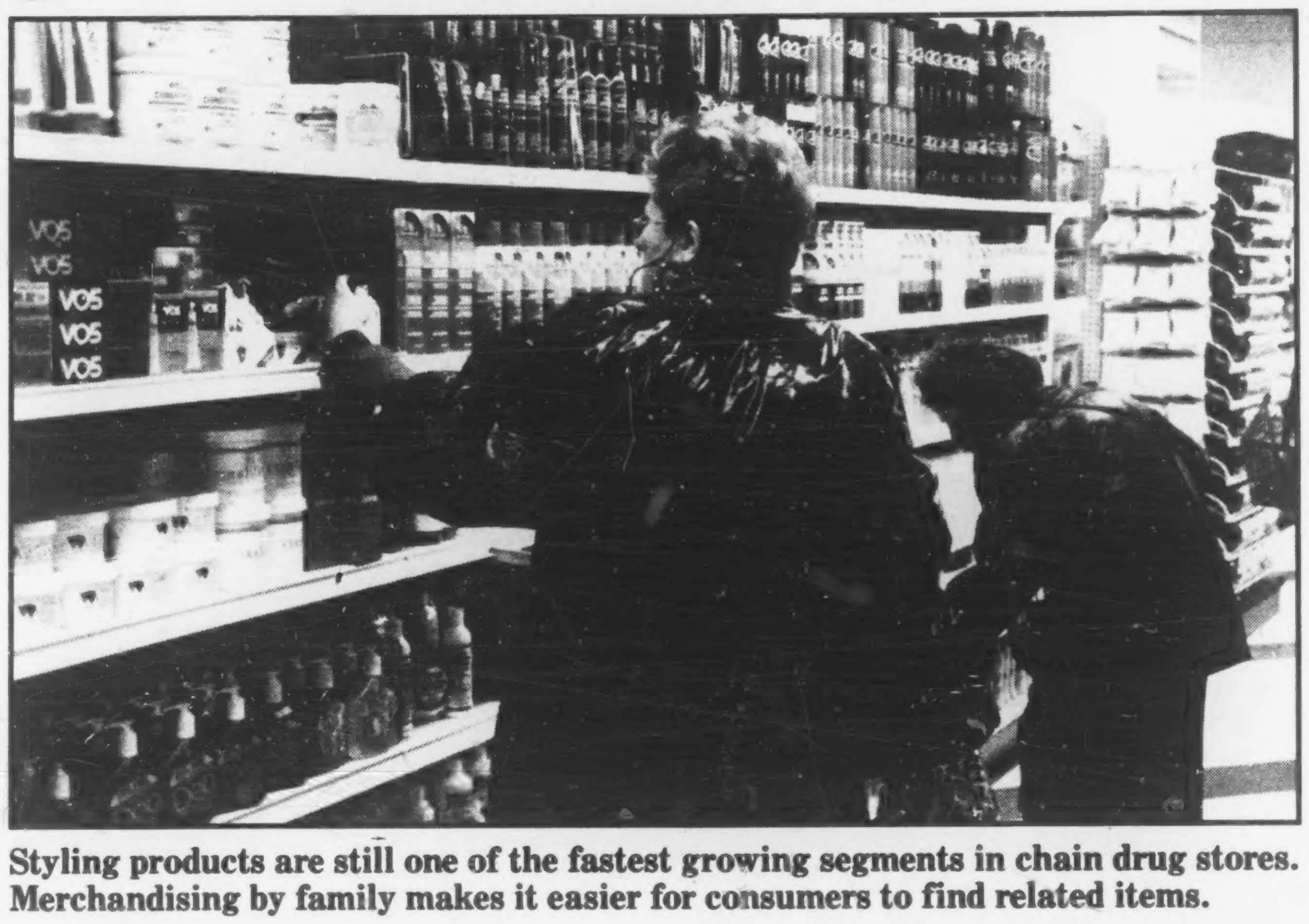
Cohen says the Studio Line Pumping Curls SKU is "the best item in a category I've seen in years." He added that every gel in Studio moves. "Every gel has a different reason for being, and consumers are buying them for these different reasons."



Drug stores' share of hair care
(% share of dollar sales)

Categories	1st 8 mos. 1990
Shampoos	28%
After shampoos	36
Hair color	52
Hair fixatives	30
Ethnic hair preps	59
Men's hair preps	40
Home wave kits	47
Mousse	32
Total hair care	34

Source: Nielsen Marketing Research



Styling products are still one of the fastest growing segments in chain drug stores. Merchandising by family makes it easier for consumers to find related items.

Anti-frizz product makes waves in England, U.S.

Frizz-Ease is the first salon-originated product to enter mass channels as a treatment/styling product for frizzy hair.

Retailers say it also works on naturally curly and permed hair, and is popular in ethnic markets because it helps transform dry or coarse hair into smooth, shiny hair.

Currently, about a dozen chains have exclusive rights to the item, among them: Walgreens in greater Chicago, Eckerd in the southeast and southwest, Thrifty in Los Angeles, Pay Less in the northwest, Genovese in New York, Snyder's in Minneapolis and Drug Emporium in select markets.

Phenomenal sales

A buyer at one of the chains said the item's movement, at $9.99, is "phenomenal."

British celebrity hair stylist John Frieda, who developed Frizz-Ease, supported the launch by appearing as a guest on local talk shows in major metro markets, and by granting interviews to local newspapers.

In most instances he described Frizz-Ease as one of his styling aid secrets, and he often demonstrated it on a model. Several retailers told *Drug Store News* that these demonstrations drove customers into their stores seeking the item.

The manager of one Walgreens store in a market where Frieda appeared on a talk show reported such immediate demand for Frizz-Ease that he gave it 18 facings.

In another chain, a manager reported selling 75 pieces in one week after Frieda did a local TV show.

"It was amazing the results we saw when he was on TV," said a source for Eckerd Drug, where the product first appeared. "You could visibly see the results in the sales reports."

Sources say other new products designed to treat frizzies are starting to emerge, so this could turn out to be a brand new growth segment for the styling aids category.

Frieda is also working on some line extensions that will be introduced around the second half of 1991.

FRIZZ-EASE™
hair serum
BEFORE▲ AFTER▶
■ Creates a frizz-free surface
■ Never oily or greasy
■ Available in our Professional Hair Care Section
FRIZZ-EASE
from John Frieda
Exclusively at ECKERD

Frizz-Ease is praised by the U.S. and England as a remarkable anti-frizz product.

Douglas Drug travels the 'green' path

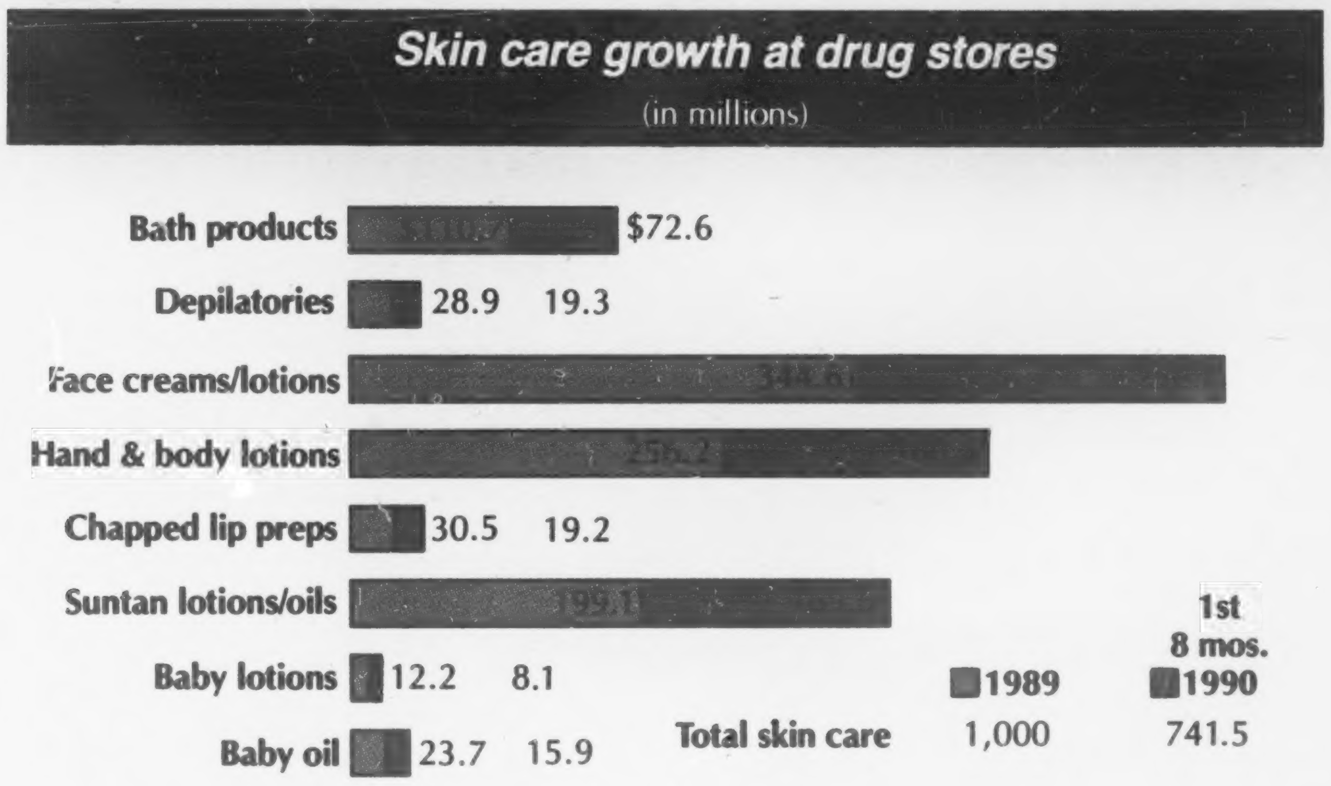
At Douglas Drug, a regional operator in Rhode Island, an experimental environmental section for hair care is building slowly in its first few months.

Steve Dubin, hair care buyer, reports sales on Bio Pure—the core of the section—are basically flat, but it is still too early call off the test. As more vendors come out with environmentally sound lines, packaging and formulas, he expects demand for products in the section should grow.

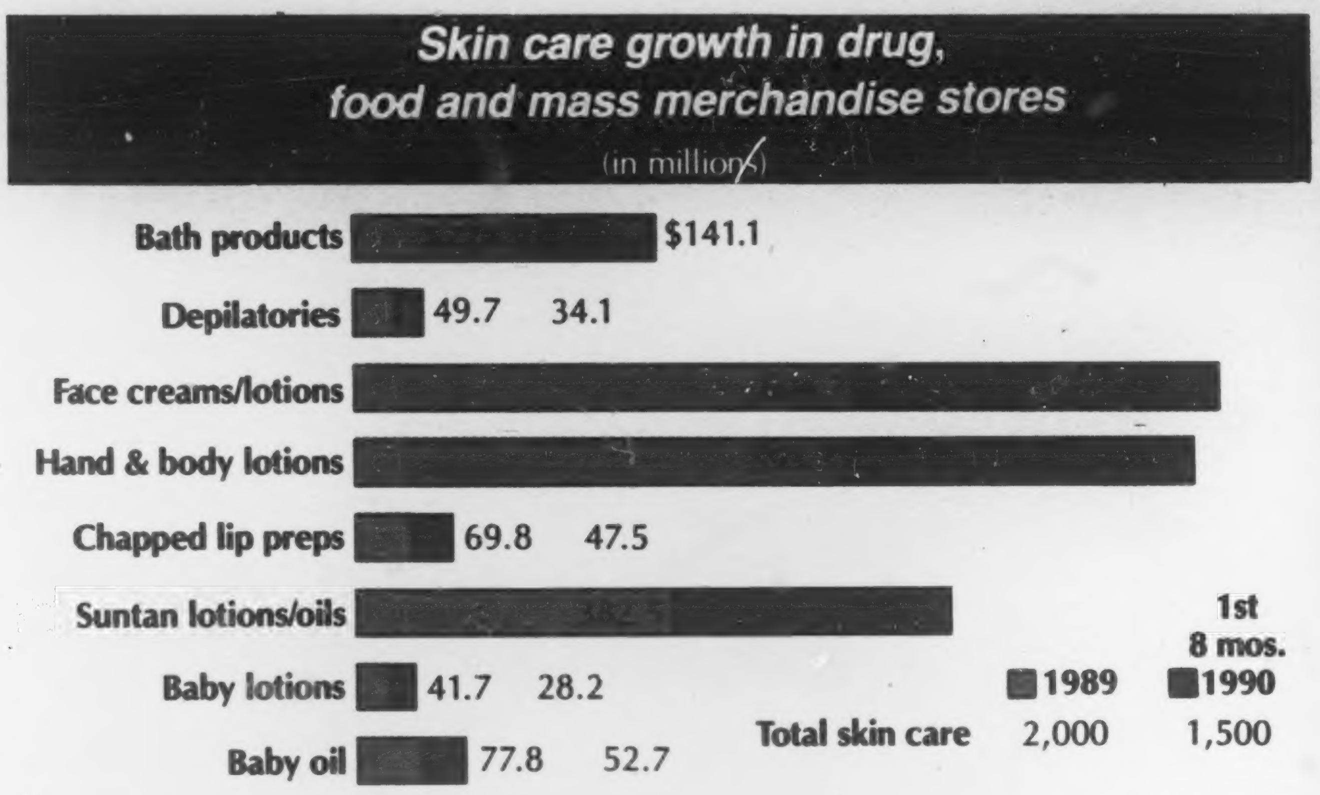
Dubin is particularly interested in a new environmental line that Queen Helene is working on. "We need a brand name and some marketing support to get the environmental segment off the ground," he said.

He will probably add the Queen Helene line, which consists of a shampoo and conditioner in two formulas, a moisturizing lotion and a spray-on gel, to his next planogram update. "I think if we can get the planogram organized right and if Queen Helene supports the line with print ads as they say they will, we might get this category to take off."

Dubin, who's seen the print ads, says they're very well done. He thinks the product may be in his stores by this spring. To help it get off the ground Douglas will support it with chain ads.



Source: Nielsen Marketing Research



Source: Nielsen Marketing Research

Face creams, sun preps drive skin care sales up 7 percent

In its strongest showing since 1988, skin care sales ran up 7 percent during the first eight months of 1990.

The advance was spearheaded by an 11 percent pick-up in sales of face creams and lotions, and a 7 percent climb in sun tanning and sun protection products.

For three consecutive years, face creams and lotions have generated sales increases of 10 percent and better in drug, food and mass merchandise stores. However, the performance of hand and body lotions flattened a bit, with eight-months sales up just 5 percent overall.

Skin care sales growth

Nielsen Marketing Research reports that drug and food stores enjoyed the strongest gains in skin care sales, each up 6 percent respectively year-to-date, while mass merchandisers grew 4 percent.

Drug stores continued to generate their strongest gains in face cream/ lotion sales, up 12 percent over a year ago. Some view this as a sign of peaking; in the previous two years, drug stores showed 15 percent gains in this segment, and food and mass merchandise stores climbed 16 percent and 21 percent in 1989.

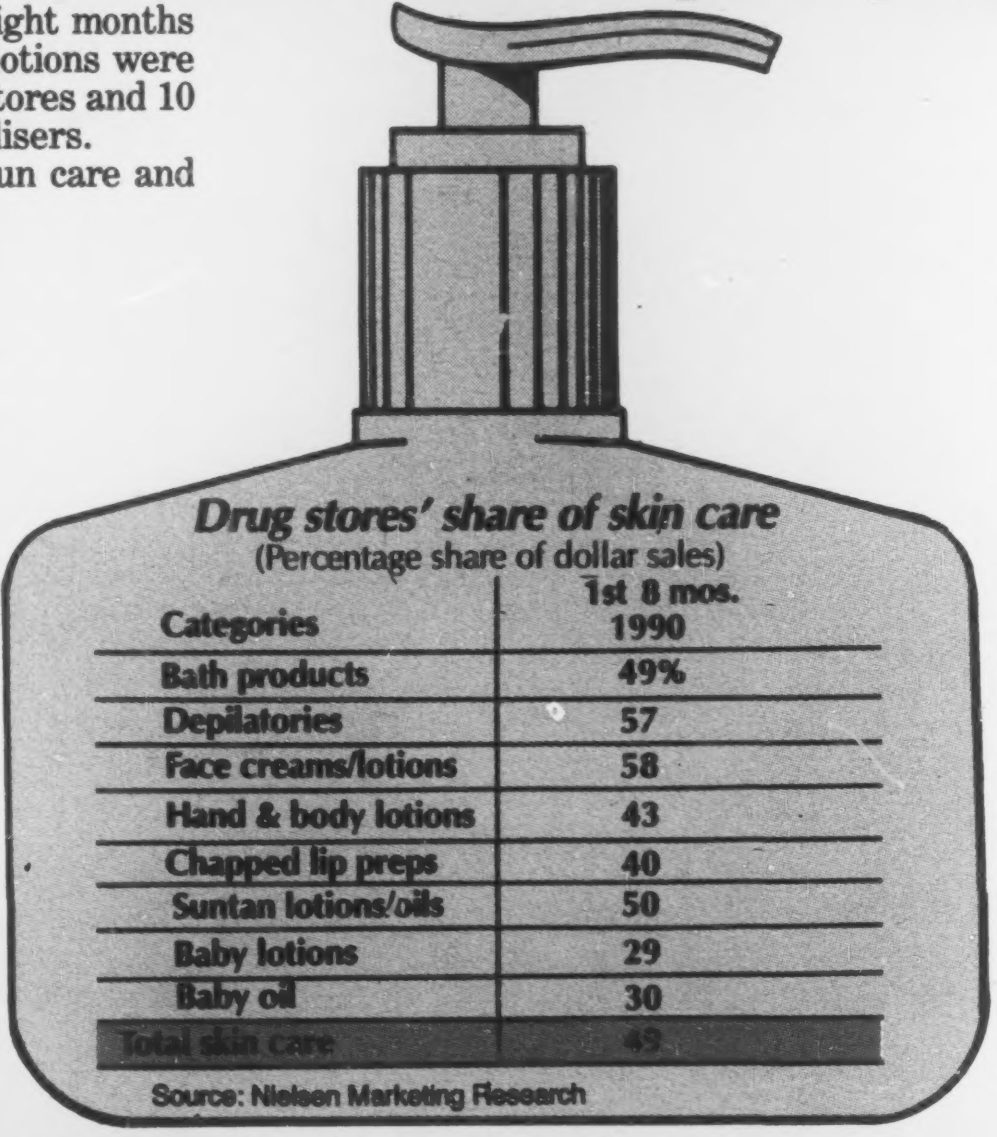
Moreover, in the first eight months of 1990, face creams and lotions were up just 7 percent in food stores and 10 percent at mass merchandisers.

Food stores advanced sun care and baby care more effectively than drug stores. At food, suntan lotions and protectors grew 14 percent in 1990's first eight months; at drug, 8 percent. At food, baby lotions and baby oils rose 13 percent in that period; at drug, baby lotions were flat and baby oils slid 6 percent.

Drug stores also had a decline in chapped lip preparation sales for the same period.

In 1990, drug stores were continuing to suffer share erosions in many skin care categories. Their dollar share of suntan lotions slipped two points, and depilatories one point over their share five years earlier, in 1986.

However, drug stores held their own in bath share, and raised their share of face cream sales by one percentage point.



Drug stores' share of skin care
(Percentage share of dollar sales)

Categories	1st 8 mos. 1990
Bath products	49%
Depilatories	57
Face creams/lotions	58
Hand & body lotions	43
Chapped lip preps	40
Suntan lotions/oils	50
Baby lotions	29
Baby oil	30
Total skin care	49

Source: Nielsen Marketing Research

Skin care center gets okay at Genovese

Following a successful test since summer, Genovese Drug has approved the planogram for a generic skin care center chainwide.

The planogram allocates 32 feet to the category, including both franchised and mass skin care brands, senior cosmetics buyer Stephanie Hayter told *Drug Store News*. The franchised lines such as L'Oréal, Revlon, Almay and Clarion get 8 feet to anchor the set's specialty section; they'll be merchandised by brand family.

Hayter says Genovese may highlight that section by putting glass shelves and a mirrored backing into the gondola.

Genovese will also display franchised lines on its cosmetics wall, just one or two facings, to minimize inventory investment. "We're keeping those facings to accommodate those shoppers who make skin care purchases within a color line," said Hayter. "All skin care product is ordered for the center set, and cosmeticians just pluck one or two SKUs from that set as needed for the wall."

Because Genovese stores aren't uniform, the set has slightly different configurations in different stores. The gondola will generally be adjacent to cosmetics, and is the next aisle over from Genovese's opening aisle.

Viewing six months of sales data for the center, Hayter said sales are up, sometimes dramatically, for some of the franchised lines, such as Revlon's Moondrops and Almay. "Some lines are up 15 to 20 percent. We're estimating that our own skin care sales have gone up about 10 percent since we did the set," said Hayter.

Sales data for the center show sales are up, sometimes dramatically.

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Over 20 years of success in retail drug industry. Marketing exec with invaluable knowledge in purchasing, advertising, rack jobbing and distribution. Accomplishments include corp. restructuring, expense reductions, inventory turn increases and technological advances. Box 2-7406,

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Senior executive available as result of divestiture. Seeks operations or marketing management. 18 years chain drug management. Consistent profit achievement. High standards, merchandising excellence, strong work ethic. Strengths in team-building and staff training. Box 2-4385.

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Costume jewelry makes chains fashion conscious

Drug chains are beefing up their jewelry sections as today's women welcome costume jewelry as fashion accessories.

Chains, eager to cash in, are merchandising jewelry closer to cosmetics and hair accessories than ever before. Many are eyeing bulk programs.

"Drug stores are trying to create a certain fashion image when it comes to cosmetics and fragrances," said Tom McCarthy, president of the drug chain division of Accessory Associates, Inc. "Costume jewelry fits into that mode. The objective is to become a focal point for accessorizing."

Added Kathy Johannes, a Kerr Drug buyer: "When the country's First Lady stands up and says, 'look, these (pearls) aren't real,' it carries an enormous message. A lot of what we sell are the $10-$20 necklace sets—the Barbara Bush look."

Indeed, this emphasis on "faux" jewelry instead of fine jewels had sparked drug store sales. AAI's McCarthy said, "drug stores typically have price points under $20, which appeal to consumers rethinking their disposable income."

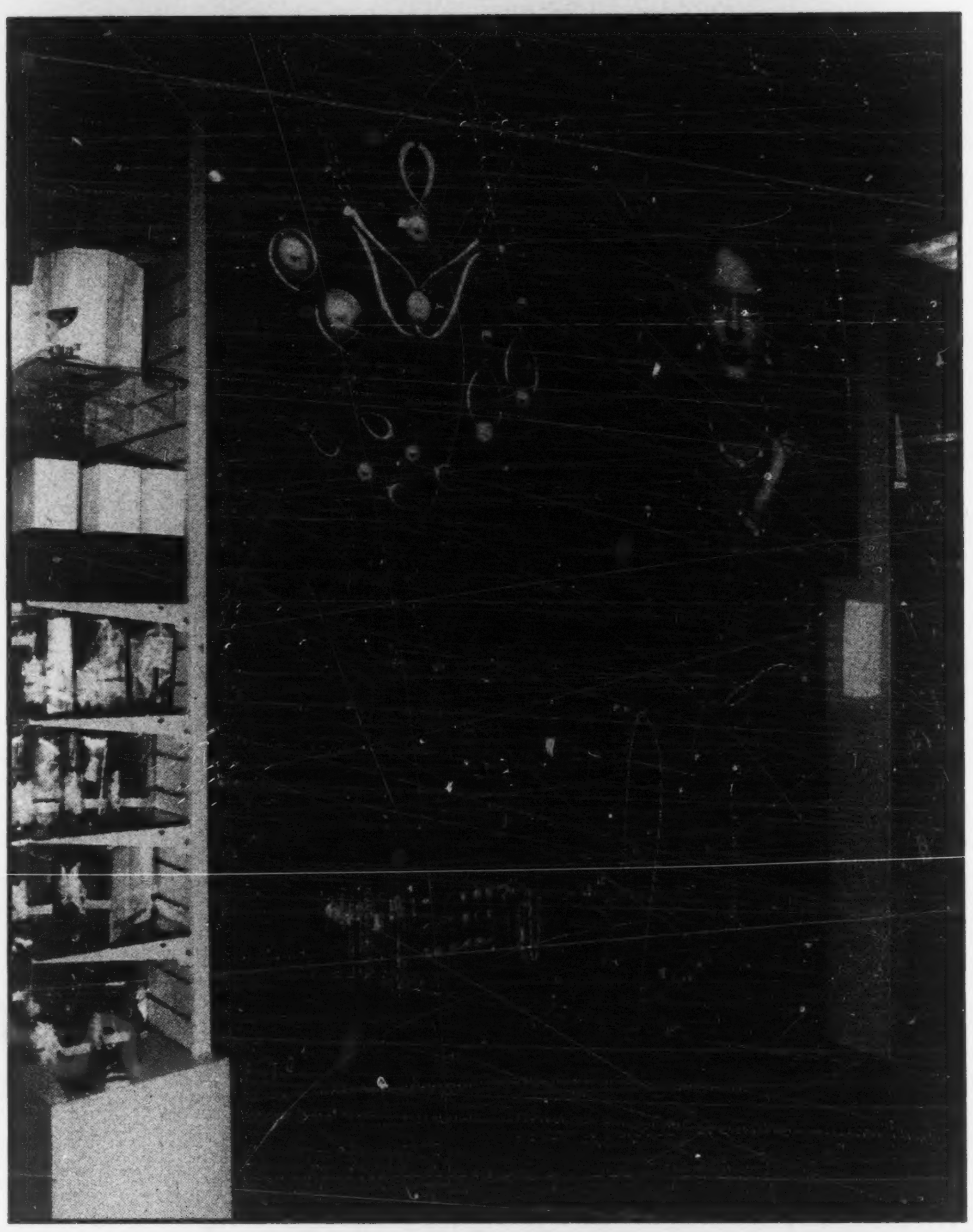
Newer security measures have increased self-service racks. New Jersey-based Checkpoint Systems, Inc. has designed a detection system, which is placed on the jewelry cards, usually underneath the felt area, so it's invisible to consumers. The system is deactivated at the register, and has already decreased the shrinkage rate in some stores.

Gaining a reputation in the self-service jewelry market is Ulta^3, the cosmetics-jewelry-toiletries chain developed by former American Drug Stores executives Dick George and Terry Hanson.

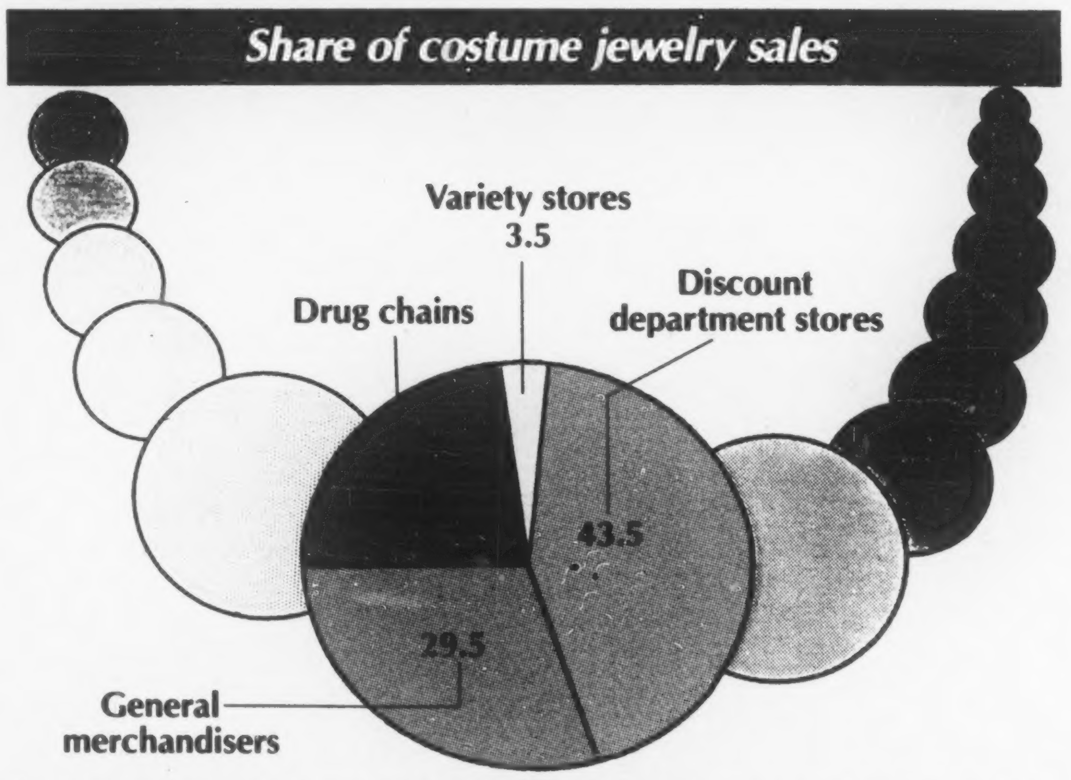
Jewelry at Ulta^3 is displayed in the front center of the store, in gallery fashion on three black, flat wall fixtures. The chain rotates displays every three months to convey fashion stories each season.

"We'll group our merchandise into certain areas, to help customers find their purchase more quickly," said Jodi Mattson, Ulta^3's fashion jewelry buyer. "For example, we'll have sea-life, tropical, or red-white-and-blue, as our stories for the season. Then, we'll also have gold, silver, rhinestone and pearl areas. We also have two poles—one which houses clip earrings and another for color earrings."

Ulta^3 also discounts all jewelry everyday at least 20 percent off. Seasonal items may be marked as much as 50-75 percent off, Mattson said.



The '90s are bringing in a more rational approach to jewelry buys; emphasizing "faux" jewelry instead of fine jewels. Jewelry at Ulta^3 is displayed in the front center of the store, in gallery fashion on three black, flat wall fixtures.



Share of costume jewelry sales

Not including the estimated $1.9 billion done by department stores and specialty retailers.
Source: R.N. Koch Inc.

Consumers' fashion sense turns to costume jewelry

- Dollar sales will increase as consumer accessory purchases move back to costume jewelry.
- Higher average purchases, as consumer fashion demands move price points higher and branded lines grow in importance.
- Continued pressure on market share from specialty retail outlets.
- Today's average price for costume jewelry pierced earrings is $7.90; maximum amount willing to pay at mass is $14.60.

Source: R.N. Koch Inc.

Safeway net escalates as sales reach $14.9B

OAKLAND, Calif. — Safeway reported net income for 1990 of $87.1 million, or 91 cents per share, compared with $2.5 million, or 3 cents per share, in 1989.

Sales rose 3.8 percent, to $14.9 billion for the year ended Dec. 29. Same-store sales increased 2.9 percent for the year and 1.7 percent for the fourth quarter over those periods in 1989.

In 1990, gross profit was 26.7 percent of sales, versus 25.8 percent in 1989. The company cited significant investment in new information systems, which led to better buying practices, more effective merchandising and tighter inventory control, as largely responsible for the improvement. Another contributor to improved gross profit was increased sales in higher-margin specialty departments, the company said.

Operating profit rose 15.8 percent, to $535.3 million for the year. Operating profit was 3.6 percent of sales in 1990, versus 3.2 percent in 1989.

Capital expenditures, including operating lease obligations, were $490 million in 1990, the first year of Safeway's five-year, $3.2 billion capital expenditure program.

"The 30 new stores and 90 remodels completed in 1990 will help maintain our strong operating performance while enhancing long-term sales growth," said Peter A. Magowan, chairman.

Owens & Minor net surges on 28% sales gain in 1990

RICHMOND, Va. — Owens & Minor reported a 14.1 percent increase in sales in the fourth quarter ended Dec. 31, to $316.3 million from $277.1 million in the year-earlier period. Fourth-quarter earnings were $2.8 million, compared with $0.3 million in the 1989 quarter.

Year-end sales were a record $1.2 billion, a 28 percent increase over the $952.9 million reported in 1989. Earnings for the 12 months were $8.8 million, versus $2.5 million the prior year, a 243.3 percent gain. Earnings per share were 33 cents, compared with 3 cents for 1989.

SDM posts 14% increase in 1990 operating earnings

MONTREAL — Despite strong earnings performance at Shoppers Drug Mart and Imperial Tobacco, Imasco's net earnings for 1990 declined 19 percent to $295.1 million (Canadian), reflecting a 42 percent drop in operating earnings at Hardee's.

Earnings per share were $2.25, compared with $2.87 in 1989, a 22 percent decrease. Net earnings include a contribution from Peoples Drug Stores, which Imasco sold during the year and classified as discontinued operations.

System-wide sales of consumer products and services in Imasco's tobacco, financial services, restaurant, drug store and retail businesses was $15.1 billion for the year, a 12 percent increase, and revenues gained 16 percent, to $5.2 billion.

Shoppers Drug Mart's operating earnings in 1990 were $80.5 million, up 14 percent, and in the fourth quarter $26.6 million, up 7 percent. Shoppers revenues were $148.1 million for the year, a 9 percent gain, and $44 million for the fourth quarter, a 4 percent increase.

Commenting on the results, Purdy Crawford, chairman and ceo, said, "Imperial Tobacco had an excellent year. Operating earnings increased 10 percent and the company's share of the Canadian manufactured cigarette market rose another 2.1 share points to 60 percent.

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MARKET DIARY:

Largest Dollar Gainer	Pfizer Inc.	$	13.50
Largest Dollar Loser	Medicine Shoppe	$—	0.25
Largest Percentage Gainer	ICN Pharmaceutical		32.00%
Largest Percentage Loser	Halsey Drug	—	3.85%

Advances	51
Declines	4
Unchanged	2
New highs	28
New lows	0

	Close 2/5/91	Close 2/19/91	Net Change	Percent Change
Drug Store News Index	3489.50	3721.06	231.57	6.64
Dow Jones Industrial Average	2788.37	2932.18	143.81	5.16
Standard & Poor's 500-Stock Index	351.26	369.39	18.13	5.16
N.Y.S.E. Composite	191.89	201.40	9.51	4.96
Value Line Index	218.19	228.45	10.26	4.70

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 2/5/91	Closing Price 2/19/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.13	6.38	0.25	4.08	25	0.00	0.00	7.56	4.50
OTC	Arbor Drugs (H)	ARBR	22.50	23.25	0.75	3.33	20	0.20	0.86	23.25	13.25
OTC	Big B	BIGB	7.88	9.00	1.13	14.29	— 22	0.00	0.00	13.38	4.75
OTC	Drug Emporium	DEMP	7.75	7.75	0.00	0.00	12	0.12	1.55	11.00	6.25
NYS	Fay's Inc. (H)	FAY	10.63	11.50	0.88	8.24	16	0.20	1.74	11.50	7.25
ASE	Genovese Drug	GDX.A	7.50	7.75	0.25	3.33	15	0.24	3.10	9.50	5.50
NYS	Longs Drug Stores	LDG	35.50	36.50	1.00	2.82	12	1.04	2.85	43.63	30.88
OTC	Medicine Shoppe	MSII	24.50	24.25	— 0.25	— 1.02	21	0.24	0.99	26.75	15.50
NYS	Perry Drug	PDS	6.00	6.00	0.00	0.00	100	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp. (H)	RAD	40.13	43.13	3.00	7.48	17	1.00	2.32	44.00	29.50
NYS	Walgreen Co. (H)	WAG	30.00	31.88	1.88	6.25	22	0.44	1.38	32.88	20.13
Wholesaler's transactions											
ASE	Bergen Brunswig (H)	BBC	29.88	31.75	1.88	6.28	17	0.40	1.26	31.75	21.38
OTC	Bindley Western Ind. (H)	BIND	13.75	14.00	0.25	1.82	19	0.04	0.29	14.38	8.63
OTC	Cardinal Distribution (H)	CDIC	31.25	34.63	3.38	10.80	29	0.08	0.23	34.63	16.50
OTC	Durr-Fillauer (H)	DUFM	26.75	27.88	1.13	4.21	21	0.24	0.86	28.25	16.00
ASE	Ketchum	KCH	2.00	2.25	0.25	12.50	— 2	0.00	0.00	2.88	1.25
NYS	McKesson Corp.	MCK	32.75	34.13	1.38	4.20	15	1.60	4.69	38.38	26.88
ASE	Moore Medical	MMD	6.13	6.00	— 0.13	— 2.04	— 8	0.00	0.00	7.88	3.50
NYS	Owens & Minor (H)	OMI	15.50	17.63	2.13	13.71	17	0.24	1.36	18.75	10.75
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	44.50	46.88	2.38	5.34	21	0.84	1.79	47.88	31.25
NYS	American Home Products (H)	AHP	54.38	59.38	5.00	9.20	15	2.28	3.84	59.38	43.00
NYS	Baxter International (H)	BAX	30.00	31.50	1.50	5.00	—225	0.64	2.03	31.50	20.50
OTC	Block Drugs Co. (H)	BLOCA	42.00	45.63	3.63	8.63	16	0.80	1.75	46.00	29.63
ASE	Bolar Pharmaceutical	BLR	4.63	4.75	0.13	2.70	— 4	0.00	0.00	10.00	1.88
NYS	Bristol-Myers Squibb (H)	BMY	70.75	75.88	5.13	7.24	23	2.40	3.16	75.88	50.50
NYS	Carter-Wallace	CAR	58.75	59.63	0.88	1.49	17	0.92	1.54	61.25	44.88
ASE	Columbia Labs	COB	6.88	8.00	1.13	16.36	— 6	0.00	0.00	14.75	3.63
ASE	Forest Labs (H)	FRX	56.75	61.25	4.50	7.93	35	0.00	0.00	61.25	33.63
ASE	Halsey Drug	HDG	3.25	3.13	— 0.13	— 3.85	313	0.00	0.00	5.44	2.13
NYS	ICN Pharmaceutical (H)	ICN	3.13	4.13	1.00	32.00	0	0.00	0.00	5.38	2.50
ASE	Lee Pharmaceutical	LPH	1.13	1.25	0.13	11.11	— 5	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition	PLI	9.50	10.75	1.25	13.16	9	0.00	0.00	12.63	6.75
NYS	Lilly Eli Co.	LLY	75.75	81.25	5.50	7.26	21	2.00	2.46	90.38	58.75
NYS	Marion Labs (H)	MKC	36.13	37.50	1.38	3.81	22	0.80	2.13	38.00	21.00
NYS	Merck Co. (H)	MRK	96.00	102.38	6.38	6.64	22	2.24	2.19	102.38	67.00
NYS	Mylan Labs	MYL	21.25	22.25	1.00	4.71	24	0.20	0.90	24.75	13.75
NYS	Par Pharmaceutical	PRX	5.25	5.13	— 0.13	— 2.38	— 4	0.00	0.00	8.13	3.38
NYS	Pfizer Inc. (H)	PFE	90.50	104.00	13.50	14.92	22	2.64	2.54	104.00	54.50
NYS	Rhone-Poulenc Rorer (H)	RPR	72.25	80.25	8.00	11.07	—154	0.84	1.05	80.25	56.50
NYS	Schering Plough	SGP	45.63	47.75	2.13	4.66	19	1.12	2.35	50.75	37.00
NYS	Syntex Corp. (H)	SYN	66.00	70.88	4.88	7.39	22	1.60	2.26	72.25	46.75
OTC	Taro-Vit Industries (H)	TAROF	3.00	3.38	0.38	12.50	— 56	0.00	0.00	3.38	0.88
NYS	Upjohn Co.	UPJ	40.38	41.38	1.00	2.48	17	1.16	2.80	44.63	33.00
NYS	Warner-Lambert (H)	WLA	72.00	77.00	5.00	6.94	21	1.76	2.29	77.00	49.63
OTC	Zenith Labs	ZENL	5.75	6.25	0.50	8.70	— 1	0.00	0.00	9.50	3.75
Other retailer transactions											
NYS	Albertson's (H)	ABS	38.88	39.38	0.50	1.29	24	0.48	1.22	40.75	25.00
NYS	American Stores	ASC	62.63	68.88	6.25	9.98	16	1.12	1.63	71.50	42.63
NYS	Giant Food	GFS.A	28.75	29.88	1.13	3.91	15	0.60	2.01	30.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	48.63	52.63	4.00	8.23	13	0.80	1.52	59.63	37.75
NYS	Kmart	KM	32.88	35.75	2.88	8.75	21	1.72	4.81	37.00	23.38
NYS	Kroger (H)	KR	19.00	20.50	1.50	7.89	21	0.00	0.00	21.38	10.63
NYS	Melville Corp.	MES	46.75	48.50	1.75	3.74	14	1.44	2.97	57.75	32.75
OTC	Fred Meyer	MEYR	14.25	15.25	1.00	7.02	— 76	0.00	0.00	18.25	10.00
NYS	Penney, JC	JCP	52.88	53.38	0.50	0.95	9	2.64	4.95	70.88	37.38
NYS	Safeway (H)	SWY	16.38	16.50	0.13	0.76	18	0.00	0.00	17.25	10.25
NYS	Smith's Food & Drug (H)	SFD	34.13	38.63	4.50	13.19	28	0.36	0.93	38.63	24.00
NYS	Wal-Mart (H)	WMT	34.25	36.75	2.50	7.30	34	0.12	0.33	37.63	20.25

Key: (H) — New annual high reached in the bi-weekly period. (L) — New annual low reached in the bi-weekly period. (d) — Deficit. NYS — New York. ASE — American. OTC — Over the counter. (s) — Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

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DRUG STORE NEWS

Vol. 13 No. 6

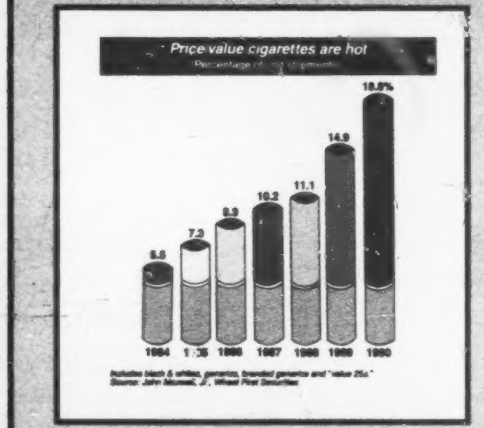
A Lebhar-Friedman publication

LATE NEWS

• OAK BROOK, Ill. — American Drug Stores has moved buying and administrative functions for its Skaggs division from Texas to Osco headquarters here.

• MINNEAPOLIS — Thrifty-White Drug has resumed using Snyder Drug as its primary wholesaler for general merchandise, HBA and seasonal.

FEATURES



Value-pricing drives tobacco

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SECOND CLASS

Long, Roath take top spots at Longs

By James Frederick

WALNUT CREEK, Calif. — In a widely anticipated move, Longs Drug Stores has named Stephen Roath to replace Bob Long as president of the $2.3 billion, 262-store chain. Long, who remains chief executive, has been appointed board chairman.

Both appointments were precipitated by the death last Dec. 28 of former chairman and company co-founder Joe Long.

In another move which signals the growing importance of retail automation efforts at Longs, chief information officer Chuck Bostwick, 41, has been made a vice president. A veteran of Mervyn's and one of the few Longs executives who haven't come up through the ranks, Bostwick joined the company in late 1989 to head up its point-of-sale and retail information systems development.

Roath

Long

Roath, 50, is a 27-year Longs veteran whose promotion to executive vp in 1988 put him in line for the No. 2 spot at the company. He began with Longs as a pharmacist and moved up through the ranks in store management, becoming vp and head of professional affairs in 1977 and a member of the board two years later. In 1983, Roath was named senior vp-marketing.

Known for his outgoing and direct nature as well as his fierce loyalty to Longs employees, Roath complements well the quieter management style of his boss, Bob Long. Both men share a career-long devotion to the company's decentralized approach to store management and operations.

The appointments became effective as Longs announced

See **Longs** *page 95*

Perry pushes back into the black

PONTIAC, Mich. — After posting a fiscal 1990 loss that surprised and disappointed financial analysts, Perry Drug Stores seems to have regained its upward momentum. The 228-store chain reported $1.4 million in net profits on sales of $171.1 million for the first quarter ended Jan. 31.

Perry chairman and ceo Jack Robinson attributed the quick return to positive earnings territory in part to a major, $1.5 million cut in administrative expenses, among other factors. That expense decline followed a series of sharp and sometimes painful cost-cutting moves in recent months, including the elimination of 10 percent of the headquarters workforce.

Other factors pushing Perry back into the black include the completed installation of PerryLink, the chain's on-line, powerful pharmacy computer; and a 24.6-percent increase in pharmacy sales in the first quarter vs. the same period last year, to

See **Perry** *page 95*

Poisoned Sudafed has FDA eyeing capsule phase-out

By Susan Ball

The OTC capsule's days could be numbered as a result of the deaths of two persons and serious injury of a third after ingesting cyanide-laced Sudafed 12-Hour Capsules in the Tacoma-Olympia, Wash., area.

The Food and Drug Administration said it was setting up a task force to consider asking manufacturers to phase out the capsule form of OTC medication delivery voluntarily. An FDA spokesman confirmed that every poisoning fatality involving an OTC medication since the 1982 Tylenol episode has involved drugs in capsule form.

A spokeswoman for Burroughs Wellcome Co., which launched a nationwide recall of all its Sudafed 12-Hour Capsules March 3, said, "Obviously, the latest incidents will cause Burroughs Wellcome and other manufacturers to look at the capsule issue again." She said the company is considering a time-release caplet as one alternative.

She declined to estimate the cost to the company of the recall and lost sales. Sudafed product sales in 1990 were $109 million, of which Sudafed 12-Hour Capsules accounted for 15 percent, accord-

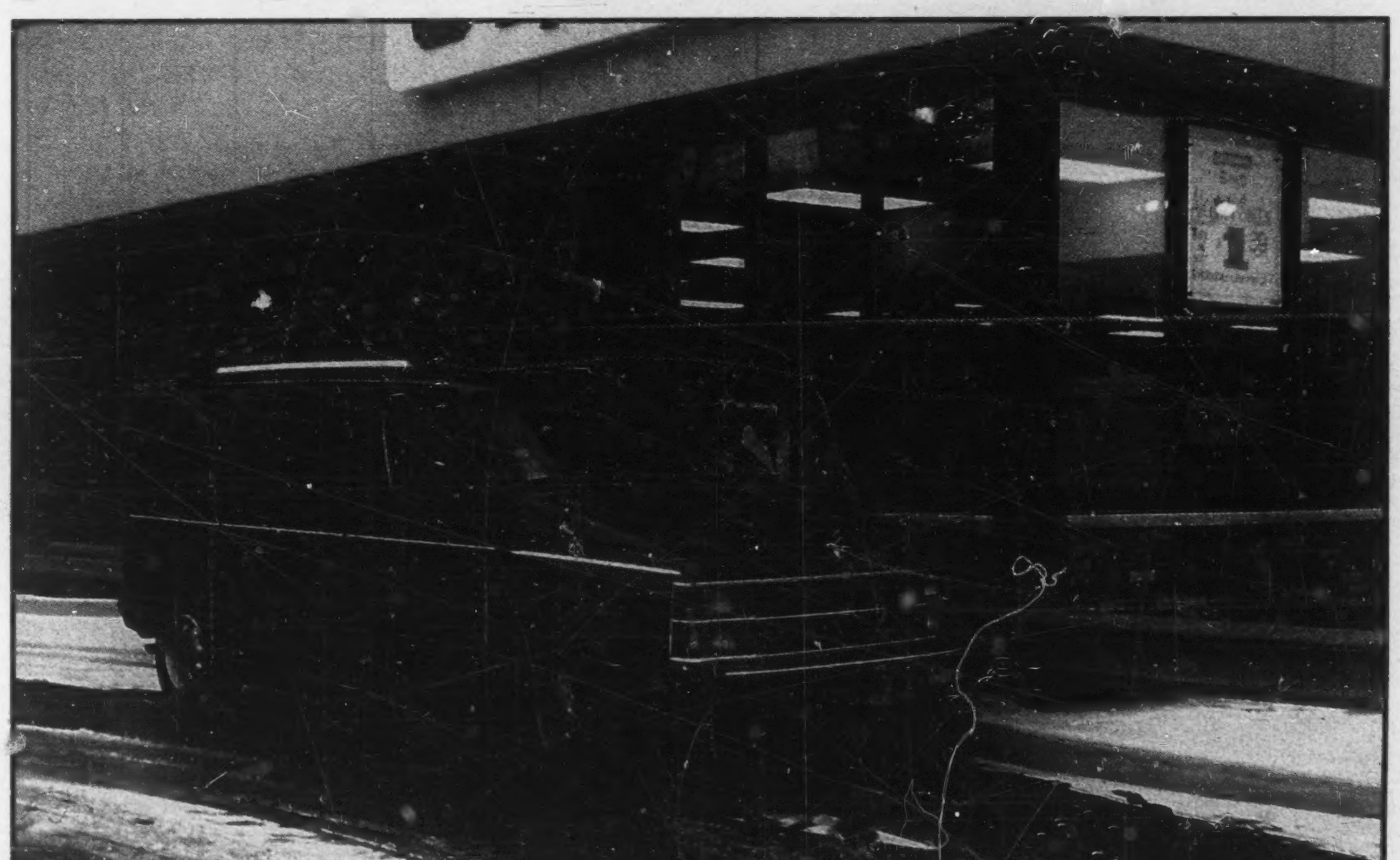
See **Sudafed** *page 95*

Walgreens gives green light to drive-thru Rx

CHICAGO — After several months in operation, Walgreen Co.'s first drive-through pharmacy window has been successful enough to prompt the chain to extend the test to another city.

Walgreens installed the drive-through at its Belmont Avenue RxPress pharmacy in Chicago last year, and president Dan Jorndt called early customer response "favorable" when discussing the test in January. The chain is adding drive-through windows at all six RxPress pharmacies it opens in Evansville, Ind., this year.

"Surprisingly, the drive-up [on Belmont] is getting use, despite the fact that there's no advertising for it, and space to get a car in and out is pretty tight," added a Walgreen spokesperson. "Evansville will be different. We'll go in there with a well-developed ad campaign for it."


Pharmacy manager Mark Kreis serves customer at RxPress drive-up prescription department.

NEWS IN BRIEF

NACDS names new vp of gov't. affairs

ALEXANDRIA, Va. — NACDS has named David Lambert III as vp-government affairs, with responsibility for strengthening the trade group's role on Capitol Hill and directing state government affairs activities, said Ronald Ziegler, NACDS president and ceo.

Most recently with Lambert & Associates, a consulting firm, Lambert's background is in government relations and public affairs. He was vp-government affairs and then executive director of the National Association of Insurance Brokers from 1982 to 1989, and has been press secretary to Mississippi's U.S. Sen. James Eastland.

NACDS has also retained the services of Joseph O'Neill, former president of the American Retail Federation (now the National Retail Federation). As a consultant, he will focus on high priority issues before Congress.

Also, Roy Bussewitz, former federal government affairs director at Glaxo, will serve as a full-time consultant to NACDS. He will help develop a program on third party payers, and address regulatory issues.

Harco doubles DC size

NORTHPORT, Ala. — Harco recently broke ground on a 100,000-square-foot addition to its 135,000-square-foot distribution center here and expects it to be up and running by early 1992.

The added space will "give us room to grow," said Frank Gable, director of sales at the 161-store chain, which opens 6-8 stores a year.

Harco plans to upgrade sortation by converting to scanning, which will improve accuracy and productivity, and expand the conveyor system, Gable added.

Arbor adds stores

TROY, Mich. — Strong same-store sales gains and rising profits continue to fuel a rapid expansion program at Arbor Drugs. The chain opened 11 new stores in the first half of fiscal 1991 ended Jan. 31, and plans to add at least four more units in the second half. Store count now stands at 109 units, all in Michigan.

"Over the past 12 months, we have increased our store base by 20 percent," said chairman and ceo Eugene Applebaum. "One benefit of this growth is the creation of nearly 500 new jobs this year. . .Today, Arbor has over 3,500 employees."

Same-store sales gains for Arbor stores open a year or more were 9.1 percent in the second quarter.

Bartell's Rx director Stenberg dies

SEATTLE — Kenneth Lawrence "Larry" Stenberg, the director of pharmacy at Bartell Drug, died suddenly at his home March 4. He was 48 years old.

"It was a shock to all of us here and to his family," said George Bartell, president.

Stenberg joined Bartell 15 years ago as a pharmacist, became head pharmacist, and then pharmacy supervisor.

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Brunner: Retailers, suppliers must form info alliances

GRENELEFE, Fla. — Vern Brunner, Walgreens' executive vp of marketing, told executives here that the time had come to build retail and supplier systems that work together to exchange "the information necessary to build the pie."

Brunner, presenting "the retailer's view" to some 275 execs attending NACDS' distribution/logistics conference, said the alliances needed to achieve that goal required communication and trust.

He pointed out that building trust wasn't easy. "Toyota took 20 years to refine their [just-in-time inventory system]," he said, "but I would bet that it didn't take 20 years to develop the systems. I bet it was the consistent trust between supplier and consumer that took those 20 years."

Two scenarios

To illustrate how easy it is to break the trust, Brunner "painted two pictures."

In one, a buyer sends a purchase order requiring a "ship to arrive date of X. You work like hell to meet that date. . .even put in some overtime to get the goods to us as requested. Then they arrive at our D.C. and we give you an appointment two weeks out. Is that the way we should do business? . . .I don't think so."

In the second scenario, "our D.C. is out of stock, the order is late, we try to expedite and we're told: 'I'm sorry, but the financial department saw we had the quarter made and they wanted to hold it for the next quarter. Is that story possible in your company?" If so, he said, "watch out, the nineties are going to be a rough ride."

Brunner also lightly skewered several top manufacturers for using the same UPC bar codes for regular products and the same products with promotional add-ons or new packaging.

'I think we do a disservice to the marketing community by anchoring tomorrow's decisions in yesterday's system constraints.'
— Vern Brunner, Walgreens

Bar codes questioned

"I don't think that a new UPC is too much to ask for when there is a substantive product or packaging change," he said.

"I know the [Food Marketing Institute] folks have been pushing you for less UPC's because their systems maintenance is reaching a point where they can't handle it," Brunner said. "But I think we do a disservice to the marketing community by anchoring tomorrow's decisions in yesterday's system constraints."

Brunner also focused on Walgreens' Strategic Inventory Management System, known as SIMS. Without the new system, he said, the chain was facing an inventory of $5.4 billion by the year 2000. "That was a record we didn't want to set. With our new system we plan to be at no more than $2.4 billion, freeing up $3 billion for reinvestment and growth."

Closing the loops

He added: "The SIMS system is designed to allow us to close the twin loops of product and information flow from our stores to our vendors. It is being built to provide us a view of the entire inventory pipeline as we know it."

Brunner pointed out that the system and other technological developments were being developed against a national backdrop in which "as many as 60 million people are classified as no better than marginally literate. . .Although we devote a lot of money to human resource development, we can't fund the remediation of the mistakes of the public education system. All of us must improve our productivity by improving our systems and technology."

Ralphs sets stricter UPC policy

By David Vaczek

COMPTON, Ca. — Ralphs Supermarkets has launched a new UPC code policy after a survey showed that one third of products' codes had quality problems.

In a notably aggressive program, the 130-store chain sent letters to 1,000 of its vendors advising them that codes on their products had flunked a quality test. Problems include below-par print contrast and print quality, and truncated and poorly-located symbols, said Jay Wiley, Ralphs supervisor of store scanning.

Wiley said Ralphs has received a strong positive response from vendors. Truncated codes can be fairly easily remedied, Wiley said, but some improvements won't show up for a while as "we're not asking anybody to destroy packaging," said Wiley.

The absence of a standard for code verifying devices opens a window for dispute, Wiley concedes. A percent of vendors who received Ralphs letter pointed out the lack of a commonly-accepted device.

Standard verifying device

The Uniform Code Council, which has created the standard for the UPC code, is now drawing guidelines for a standard code verifying device, according to Hal Juckett, UCC executive vp.

"We are trying to understand the technical problems so we can write a specification that would be the basis for a reliable, consistent device," said Juckett.

Ralphs used an RJS Inspector III verifier, which uses methodology for grading the symbols set by the American National Standards Institute. Each item was scanned "at least five times."

Ralphs in its UPC policy requires internal verification of symbols before products are purchased, and the assessment of recovery charges for costs incurred in handling items with UPC errors.

UPC integrity vital

UPC code integrity allowing accurate item movement data is a cornerstone for scanning and related systems. Ralphs requires this to support systems under developmentt including computer-assisted ordering, space management and receiving of direct-delivery receiving.

System integrity isn't the only advantage. "For every one percent we raise the first read rate, we save $316,000 in labor," said Wiley.

Ralphs was spurred to study the UPC codes after an upgrade in scanning equipment—to 750A Spectra Physics lasers and IBM 4680 registers — failed to improve the first read rate, which stayed at 85 percent, said Wiley.

After finding that the price look-up file was 99 percent accurate, Wiley, in a Duarte, Ca. store, tested 20,000 SKUs for bar code quality. On an "A to F" scale, 32 percent funked with a score below "C."

"There is a direct correlation between poor first read rates and the Institute's scores of "D" or "F," Ralphs told vendors.

0273-3080

Ship to shore, P&G changes ways of yore

Mal Jozoff of Procter & Gamble told a story to illustrate how times have changed at the giant consumer products company.

Picture this, Jozoff said: Two signal lights at sea flashing frantically at one another trying to avoid a collision. One signals: Change your course 10 degrees south. The other replies: Change *your* course 10 degrees north.

IN THE MARKET
BRUCE BUCKLEY

From the first: I'm a captain. *Change your course!* The reply: I'm a seaman first class. *You change your course!*

Outraged, the captain has his signalman flash: *I'M ON A BATTLESHIP! CHANGE YOUR COURSE!*

Comes the reply: *YOU CHANGE YOUR COURSE, I'M IN A LIGHTHOUSE!*

Not so long ago, said Jozoff, P&G's group vp, "we'd plow right over that lighthouse. Today the lighthouse is helping us to find direction."

The lighthouse, of course, represents Procter & Gamble's retail customers, who, increasingly, are considered partners rather than second-class colonials in the effort to market P&G products.

P&G is not the only company that's come to realize that the once lopsided relationship between major manufacturers and chains was overdue for a change. Part of the reason, of course, is that scanning technology has begun to shift the information balance. Big retailers no longer have to rely wholly on manufacturers to tell them what's happening. The righting of the balance has been mostly healthy. And in fact has been seen as such by more companies like P&G who are using alliances with retailers to build sales and profits throughout the distribution chain.

Jozoff, a keynote speaker at NACDS' distribution/logistics conference last month at the Grenelefe Resort in Grenelefe, Fla., had other comments for attendees. Much of it was targeted at an audience made up largely of distribution/logistics executives. Jozoff was quick to point out that the distribution/logistics function is key to P&G, accounting for some $2 billion—second in cost only to materials purchasing on P&G's ledger sheet.

Among the areas of potential cooperation: Expanding electronic data interchange in order to eliminate paperwork, assure continuous replenishment, increase turns and maintain almost 100 percent service levels. Jozoff noted that POS data is driving this expansion of EDI technology. "It's not for everyone," he said. "But we're committed to working" with retailers at whatever level.

Other areas of potential cooperation, he added, include expansion of backhauling and preappointment delivery scheduling; internal product handling procedures to avoid damaged goods and yield "enormous savings to all of us"; and "helping us to improve ordering, shipping and billing accuracy."

Most important of all, Jozoff said, was "open, honest communication. . .the glue to all of this."

"Please encourage your organization to communicate openly and freely with us," he told the audience.

Will it happen overnight? Hardly. A day earlier, Walgreens' executive vp of marketing, Vern Brunner, pointed out how long it takes to develop a relationship based on trust *(See story, page 2)*.

"We see a lot on the news today about 'the alliance' and what is working and what is not," he said. "Let's talk about alliances, about partners and partnership. . .because there is a big difference between asking for a slot on the dance card and getting married."

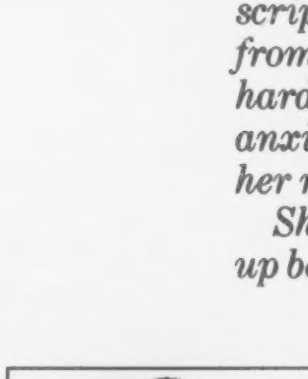
Brunner went on: "One of the key elements for enduring relationships is trust. Trust—slow to develop and easy to break."

Or using Jozoff's earlier image: easy to founder on the rocks at sea.

Mandatory consultation is double-edged

Scene one: Jane visits her drug store to get a prescription filled. She doesn't see the pharmacist, except from a distance. The pharmacist is so busy he can hardly look up. Jane, who is being served by a clerk, is anxious because she has a question about how to take her medicine.

She doesn't ask for advice because the line is backing up behind her and the pharmacy lacks an area for private consultation.



THE HUMAN SIDE
AL HELLER

Scene two: Cindy is one of two harried pharmacists in a chain store. Three phone lines are ringing and waiting customers are impatient. One shopper, unappreciative of the wait, yells: "What takes you so long. All you do is pour pills from one bottle to another."

Cindy bites her lip, and recognizes the patient as one who calls on the phone for advice.

It's a jungle out there—for pharmacists, technicians and patients.

To minimize errors in medicine dispensing and usage, 13 states have so far legislated mandatory consulting. And California came close this year.

What do the ranks think of it? Well, one pharmacist in a Walgreens store that fills 400 scripts a day, said: "What a load. I guess the laws are well intentioned, but they're not realistic."

Others would argue they are—in part for exactly that reason of time pressure. As reported in this issue's second lead story on mandatory counseling *(See Drug Store News For The Pharmacist, page 1)*, Dan Boesen, executive director of the Arizona Pharmacy Association, said that "some of the greatest support (for that state's recently enacted law). . .came from the individual pharmacists employed at the chains."

Consultation sets patients straight on what they are using, how to take it, precautions, interactions and special storage needs. It also forces a pharmacist or intern to spend extra time—even if it's a minute—reviewing the prescription with patients, and assuring it is filled properly.

In settings that allow the time, pharmacists largely prefer to spend time counseling. They don't like to think of themselves as highly paid pill-filler-clerks.

But the drug chains that fill the bulk of the nation's prescriptions raise crucial economic concerns: filling scripts will become costlier, separate consultation areas would need to be built and broadened technician duties could lead to more errors in high-volume pharmacies. Mix in the pharmacist shortage too.

Indeed, many chains have given consultation more than lip service—without legislative prompting. Revco launched a pilot consultation program this winter. Longs tested the impact of OTC counseling by fourth-year pharmacy students in the aisles. Many chains have redesigned pharmacy counters to encourage quiet discussions between patients and professionals. Eckerd, Wal-Mart and May's are using information kiosks to service customers without burdening pharmacists.

Chains have clearly made decisive moves in this direction, and that is why mandatory consulting laws are such a tough pill for many to swallow.

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Value-pricing boosts sales in tobacco category

Price/value cigarettes look more attractive than ever in 1991. New cigarette taxes that push full-priced brands further beyond smokers' pocketbooks, and vendors' new "generic" packings will stimulate growth.

Price/value packings drove ahead in 1990, accounting for 19 percent of vendor shipments.

"There's every reason to expect that trend will continue," said Pat Stone, a spokesman at Brown & Williamson, a price/ value leader.

B&W, for example, in April, 1990, launched Raleigh Extra, an "extra low priced" extension of its long established Raleigh brand. The vendor has been adding styles to Viceroy, which was repositioned in 1989 as a "low priced" cigarette.

Gaining ground, says tobacco analyst John Maxwell, Jr. of Wheat First Securities:

- Sub-generics, such as Philip Morris's Bristol, Liggett Group's Pyramid and American Tobacco's Misty Slims.
- Branded generics, such as B&W's Bel-Air, RJR's Doral and Magna, and Philip Morris' Cambridge.
- "Black and whites." Overall consumption dropped, however, by two to three percent, maintaining the annual decline of recent years.

As if the category's segmentation wasn't challenging enough, R.J. Reynolds introduced Sterling last year. The cigarette is positioned as a premium quality brand that carries a permanent $3 coupon on each carton. Thus, it's a hybrid that competes with other premium 100mm brands, as well as price/value styles, a spokesperson said.

Impact of taxes

The main effect of ongoing new cigarette taxes is to raise the price to the consumer; most drug chains have passed taxes through to the retail price. That's not true in all instances, with the federal excise tax that went into effect Jan. 1 raising the per pack tax bite by a nickel to 20 cents.

In Tennessee, "retailers are reluctant to pass the full tax burden onto customers," says Jim Hobbs, senior merchandise manager at Begley/ Health Mart Drugs of Knoxville. Begley takes a 10 percent gross on cartons, and 20 percent to 30 percent on packs.

"It's a low gross; plus, there's a short-term float," with the retailer required to pay the distributor for the cigarettes in seven days, he said.

Balanced merchandising

Many drug chains have tried to strike a balance in cigarette merchandising: on the one hand, maintaining consistently fully-assorted departments that can maximize sales, while playing down the category through low-profile merchandising and little, if any, advertising.

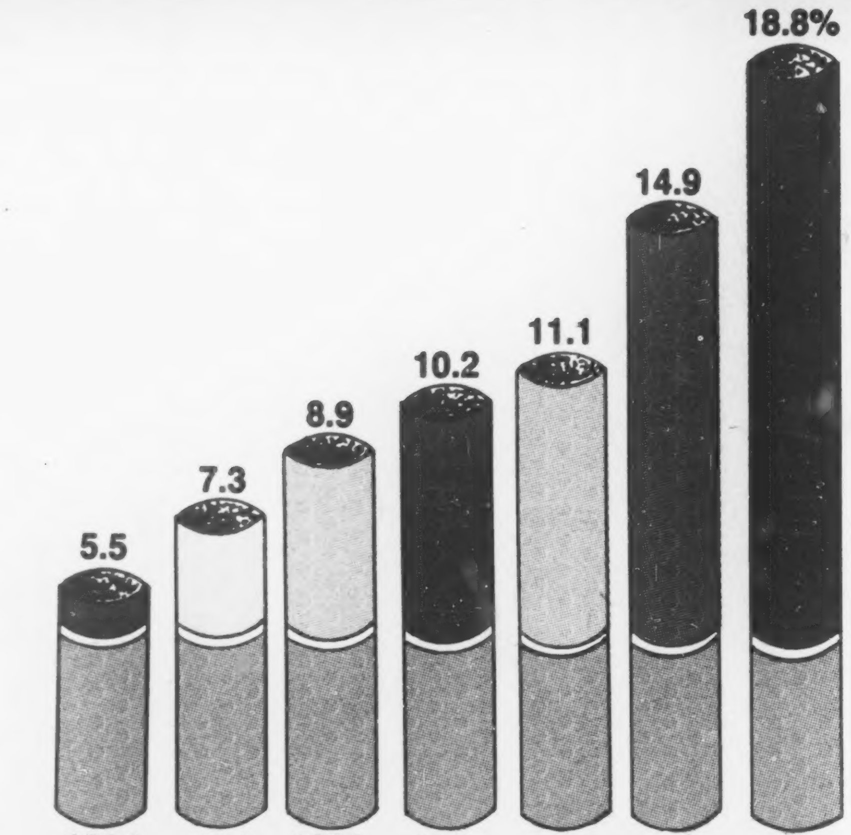
Bartell Drug in the state of Washington downplays cigarettes. And that philosophy will prevail even if a current move to eliminate a gross margin floor is successful, says Val Storrs, Bartell's senior vp of operations.

"We have never advertised cigarettes and we don't plan to. We don't want to be in the position of encouraging people to buy cigarettes," he said.

Several retail sources said that the effort to block reinstatement of the gross margin floor law (which is set to expire) is being led by warehouse club operator Costco.

> *The main effect of ongoing new taxes is to raise the price to the consumer.*

Price/value cigarettes are hot
(Percentage of unit shipments)



Includes black & whites, generics, branded generics and "value 25s."
Source: John Maxwell, Jr., Wheat First Securities

Minors buy cigarettes, retailer gets sued

BOSTON — A Boston convenience store is embroiled in what has been called a precedent-setting lawsuit which charges that the store illegally sold cigarettes to minors.

It is reportedly the first time a retailer has been sued in a tobacco liability case.

A Store 24 store and Philip Morris were named by two plaintiffs who claimed they were buying cigarettes six years ago at the store, at the ages of 12 and 15 and developed smoking habits. The minor age in Massachusetts is under 18 years old.

In a ruling in July, the Massachusetts Supreme Court overrode arguments by the retailer's attorneys and allowed Store 24 to be named in the suit.

"There will be many others (lawsuits) simply because the threat of a lawsuit becomes a very powerful tool to insist on enforcement," Brad Krevor, executive director, Group Against Smoking Pollution. GASP is paying for "most" of the plaintiffs' legal bills.

"We have been disturbed about flagrant disregard of laws on sales to minors," Krevor added.

The court also allowed the plaintiffs to sue Philip Morris on the alleged grounds that the product caused injury. It blocked the plaintiffs, though, from pursuing a claim that the vendor should be held responsible for the sale to minors.

According to Richard Daynard, GASP's president, the lawsuit has since been dropped against Philip Morris. The suit against Store 24 is "ready to be tried," he said last month, though out-of-court negotiations have also been pursued.

Besides naming Store 24 for breaking the law in selling to minors, the lawsuit charges that Store 24 "maintained a nuisance," that it broke the law on product liability grounds for selling an addictive substance, and that it is guilty of "negligent distribution" of a "dangerous" substance to a minor, Daynard said.

Philip Morris declined to comment, as did an official at Store 24, a 109-store chain in four New England states.

Genovese keeps cigarettes behind checkout counter

TOBACCO
CHECK-OUTS

Genovese store in Bay Shore, Long Island, displays cigarettes prominently behind the checkout counter, where they are protected and don't clutter the checkstand.

Drug stores protest proposed tobacco ban in Ontario

ONTARIO — In Ontario, a proposed ban on tobacco sales in all 2,160 drug stores has whipped up protest.

David Bloom, Imasco Drug Retailing Group ceo, is stuck on the fact that the proposed policy applies only to drug stores—classed as "pharmacies" only, despite the presence of front-end merchandise—and not to other classes of trade which operate pharmacies within their stores.

Thus, a food/drug combo or discount store which operates in-store pharmacies could skirt the tobacco restriction simply by keeping cigarettes away from the pharmacy area.

"This is a big problem. We won't be dealing on a level playing field," said Bloom.

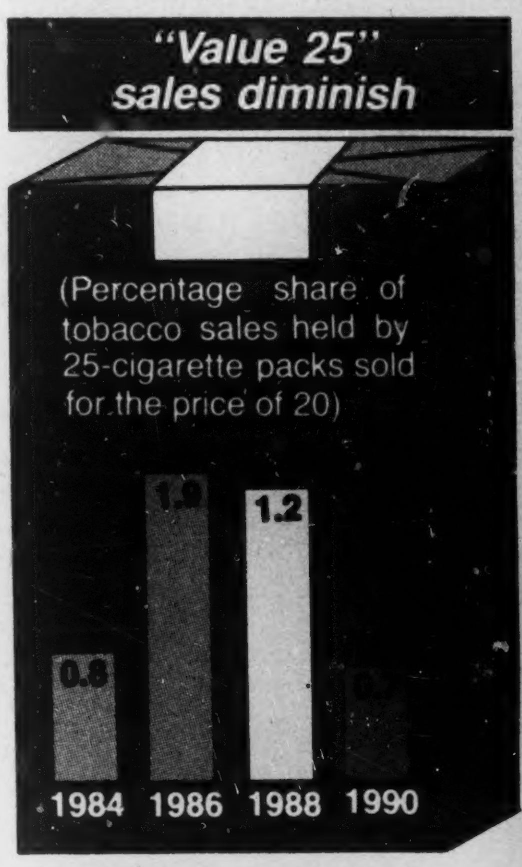
A.J. Dunsdon, executive director of the Ontario College of Pharmacy, acknowledged that "this is one of the dilemmas faced by the [college's governing] council. I assure you we're aware of that."

"The most likely remedy would be to treat tobacco like liquor, which is sold [in Ontario] through the Control Board. That would level the playing field [for] retail pharmacists."

Such a change would require a bigger piece of legislation than that being developed by the council's task force.

Meanwhile, the council's efforts seem to have reopened the old question of just what constitutes a drug store in Ontario. Hand-in-hand with that question goes another: how much control does the College of Pharmacy have over a non-traditional drug outlet like a combo store?

Either way, said Dunsdon, "[The council] is not put on this earth to improve the economic welfare of pharmacists . . . but [we] have to take cognizance of the potential impact."



"Value 25" sales have declined as value-conscious consumers show preference for value-priced generics and branded generics packaged in 20s. RJR's Century, Philip Morris's Players Lights, and Brown & Williamson's Richland have been the leading "value 25" brands.

Source: John Maxwell, Jr. Wheat First Securities

Town wants Rxs to snuff smokes

NEWTON, Mass. — Newton is laying claim to the dubious distinction of being the only U.S. municipality that would ban cigarette sales in drug stores.

People in this Boston suburb proposed such a law this year. The effort was tabled after local pharmacies, including CVS, spoke against the plan, said Brad Krevor, executive director, Group Against Smoking Pollution (GASP).

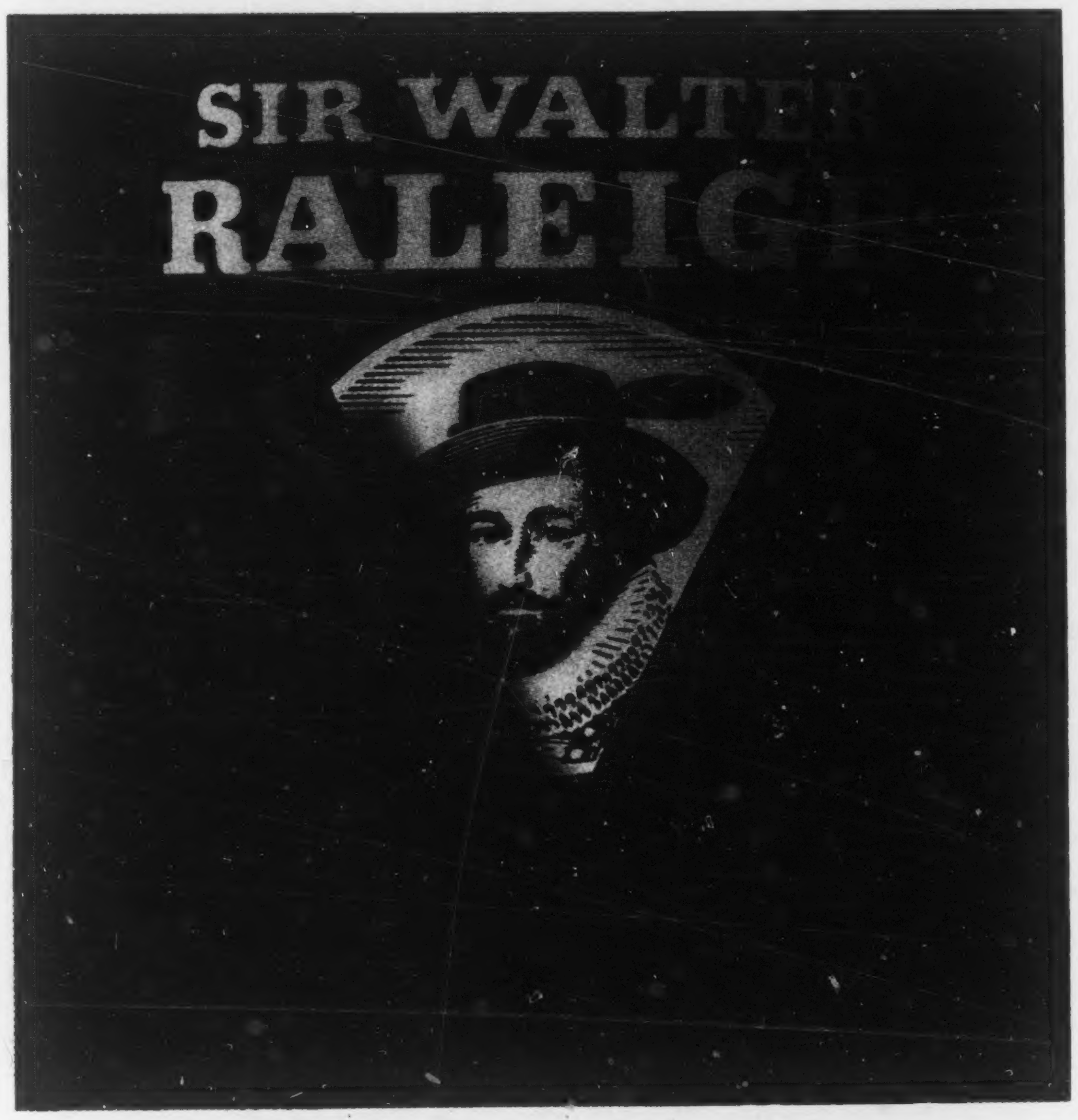
CVS argued that it operates a carefully supervised program, doesn't promote tobacco sales, and rejects money from tobacco companies for that purpose, Krevor said. CVS was not available for comment.

"The drug stores' response was 'why should we be singled out,' " said Krevor, referring to the position taken by a number of drug chains he said were represented at a recent hearing.

Krevor's group has a different viewpoint: "These are businesses which are there to support the health of their customers. Why promote the leading preventable cause of death in this country," asked Krevor, whose group is a national lobbying organization.

Krevor said that the Newton plan targeting pharmacies is the only one of which he knows.

Your Perfect Companion



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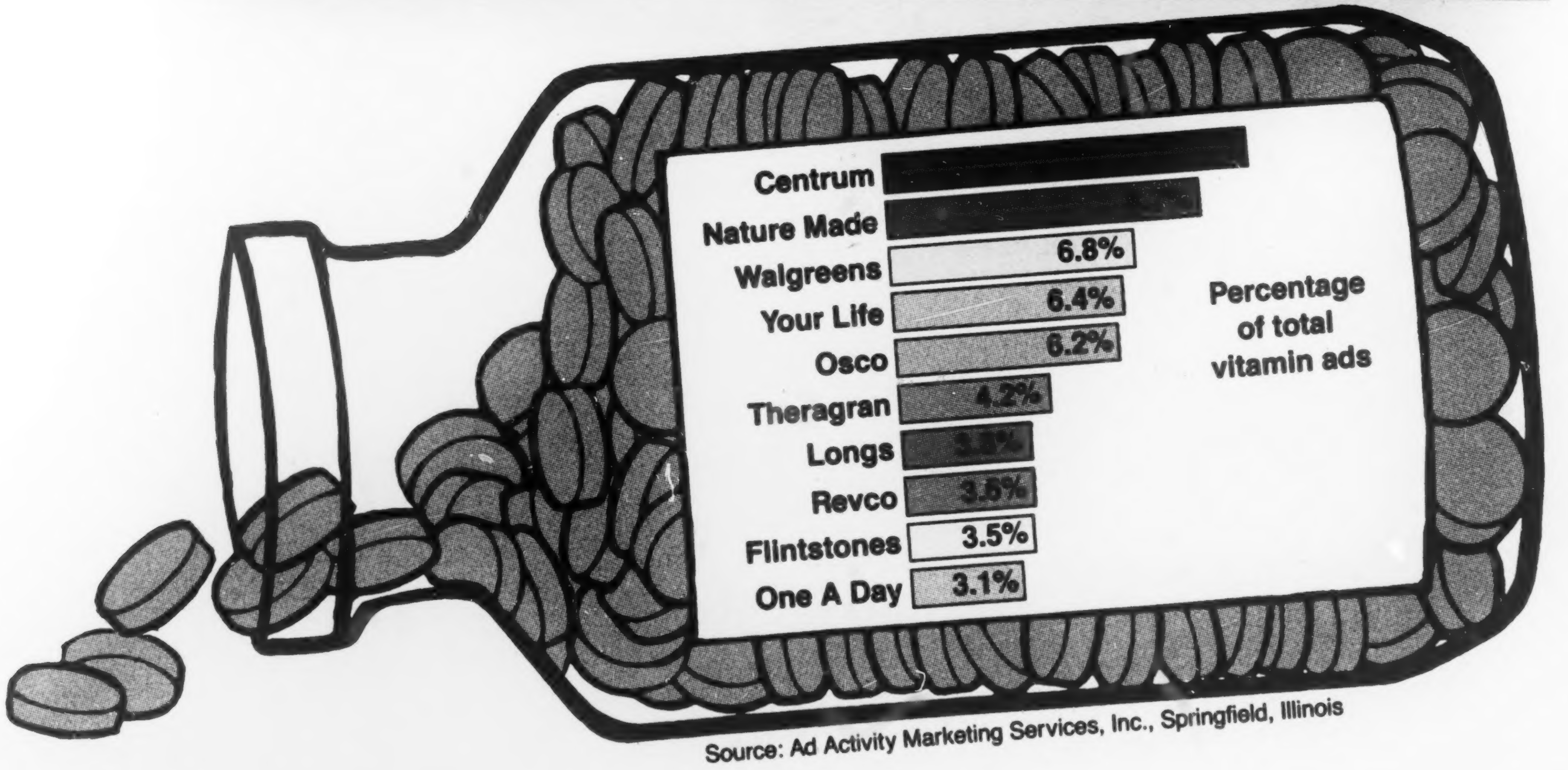
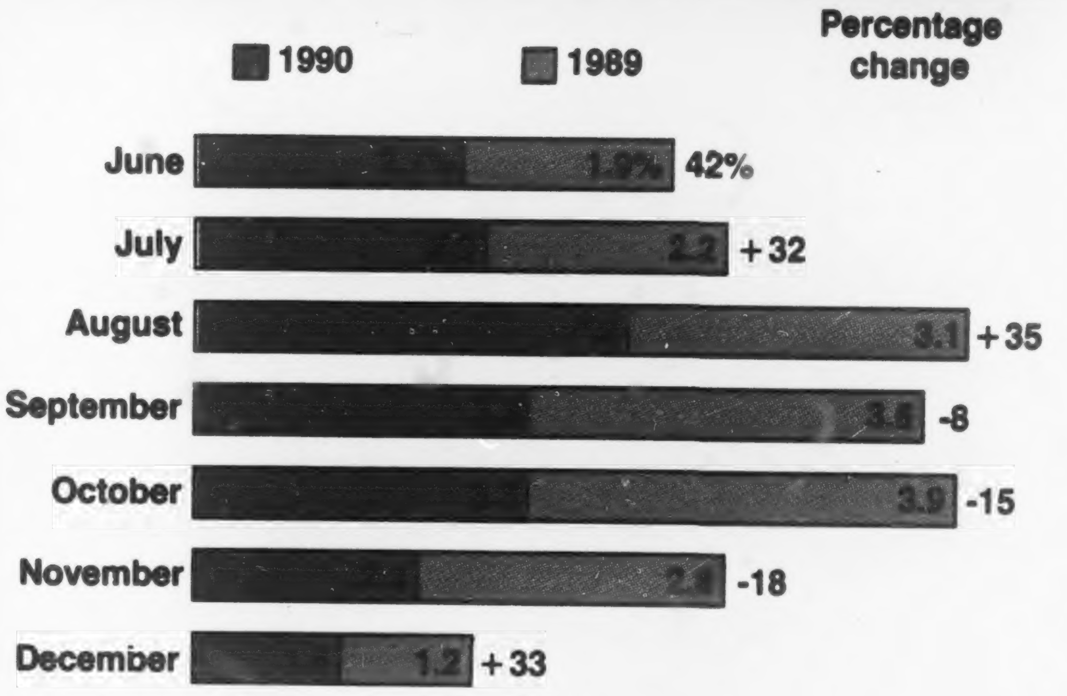
Most frequently advertised vitamins in Top 50 drug chain circulars
(June 1990 - December 1990)



Source: Ad Activity Marketing Services, Inc., Springfield, Illinois

May's gets energized from vitamin section

Percentage of ad space given to vitamins/diet aids in Top 50 drug chain circulars



Source: Ad Activity Marketing Services, Inc., Springfield, Illinois

May's Drug has rolled out a new vitamin section chainwide this winter, and president Gerald Heller is pumped up by its early performance.

"We didn't anticipate such increased movement, and we actually ran out of stock on some items. I'm upset that I underplanned it," he said.

The transition began a year ago, when May's began to scrutinize vitamins. "We had a very, very broad line," said Heller, describing how the chain kept adding SKUs without culling over more than a decade.

At first, he personally trimmed the assortment to parallel today's vitamin industry profile. He began to emphasize, for example, higher dose units such as zinc 50s and vitamin C 500s, and added vitamin C with rosehips, which has become popular.

These additions and deletions of smaller count SKUs brought a new planogram to the category. Vitamins still get 30-72 linear feet, depending on the store (higher income neighborhood stores tend to sell more vitamins), but repackaging and added color on labels modernize the section's appearance. In all stores, vitamin displays remain next to the pharmacy service counter.

Heller finds the category a challenge—one reason why he tends to it himself. "Vitamins are my pet area. As a pharmacist, I think I have a good feel for the market."

He characterized the vendor situation as in flux, with buyouts of three different vendors over the past few years, leaving Heller reluctant to turn the category over to someone else. "It requires a lot of time and energy, because there's such a big mix of product. As soon as I get it completely redone like I want, I might consider it."

Heller doesn't let himself off the hook, just because he's president of the company. "Being president hasn't really given me an advantage with the vendors," he laughed. "In fact, all it's done is put more pressure on me in my own company!"

Demographics put vitamins at the top at SDM

Demographic targeting is the key to vitamin punch at Shoppers Drug Mart. The chain recently restaged its multi-vitamin line, which, according to Roman Niemy, president-corporate brands, "took us over the top into a positive picture with vitamins."

With the category flat, Shoppers sought to create excitement for its "Life" brand. "We wanted to get a fresh approach to the business," Niemy said. "So, we decided to segment the market very precisely."

The chain restaged the line along demographic lines, marketing toward teens, adults, 50-plus, and children—a category Niemy says "has always been a big seller for us."

Repackaging clearly defines the new segmentation, and "the line should take off in the stores," he added. "Our previous program was stagnant. We hadn't had any revisions for a long time."

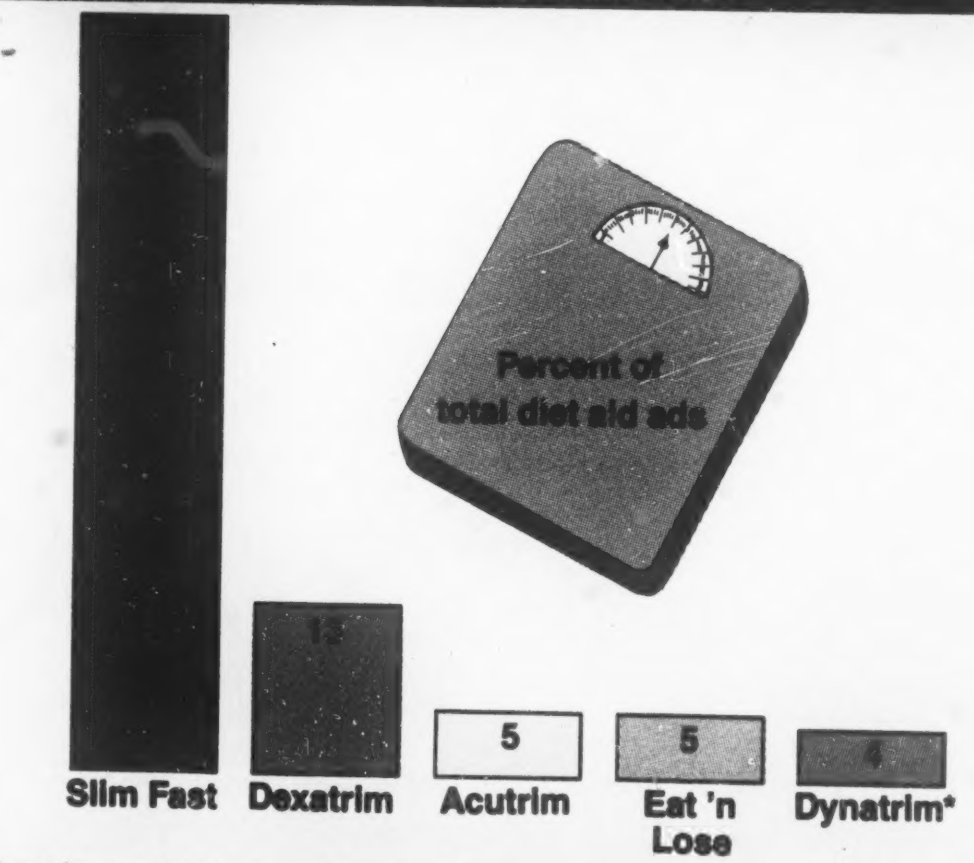
A restage of single entity vitamins, he said, will be the chain's next direction.

Vitamin market at-a-glance

- **28.6 percent** of total U.S. households bought adult multivitamins at least once during the last 12 months.
- Main reasons for taking vitamins were to feel healthier/feel better **(37 percent)** and to supplement diet **(21 percent)**.
- The drug store class continues to **lose** sales due to continued trend of one-stop shopping and sharper prices in food and mass merchandise stores.
- Industry observers predict that category sales will be **flat** through 1995 because Americans feel they are eating healthier. Vitamin-fortified juices and snacks, along with hype of fish oil, calcium and bran hurt consumer trust.
- Retailers expect an **increase** in on-pack/in-pack promotions to extend promotional shelf life.
- Rebates will continue to be the **primary promotional tool.** Competitive rebating has already led to increased brand switching and decreased brand loyalty. Future promotions will need to promote continuity of purchase, yet remain value oriented.

Source: Bristol-Myers Products

Most frequently advertised diet aids Top 50 drug chain circulars
June 1990-December 1990



*Dynatrim was introduced in December 1990.
Source: Ad Activity Marketing Services, Inc., Springfield, Illinois

Diet aid companies offer more for weight-watchers

Line extensions seem to be the hard hitters in diet aids, retailers tell *Drug Store News.* Ad activity promoting these items continues to increase, playing to consumers' continued obsession with health and weight.

Industry observers still place Thompson Medical's Ultra Slim Fast as the market leader—and they are seeing an impact of the newly introduced powder for fruit juices. “These line extensions are keeping the category growing at a tremendous rate and keeping the consumers' interest level up,” Eugene Applebaum, Arbor Drugs' ceo, said through a spokesman.

> *‘Line extensions keep the consumers' interest level up.’*
>
> **Applebaum, Arbor**

Success spurs other vendors

The success of Ultra Slim Fast spurred other vendor launches, including Slim Quick from Nature's Bounty; Eat 'N Lose's improved Shake and Crunch snack products, from CCA; NutriBevco's Nutra Rich shake and Protector Series II (targeting seniors); Bahamian Diet, from Correction Connection.

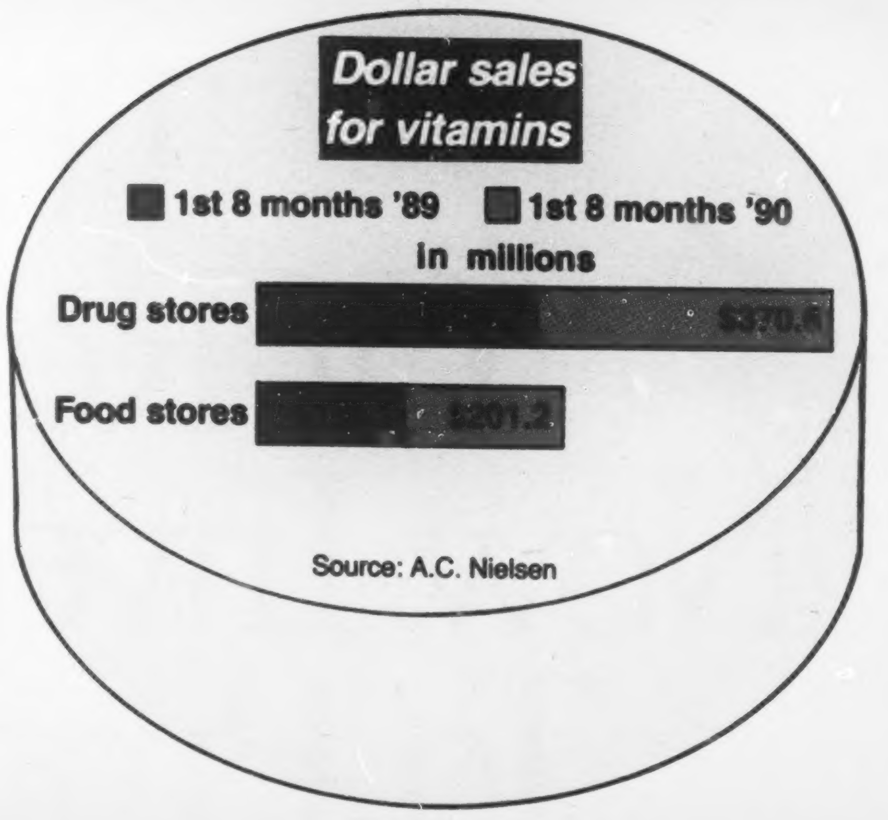
The versatility of Lederle's Dynatrim, which can be consumed as a shake, mousse or frozen dish, is also appealing to weight-watching Americans.

Entrees introduced

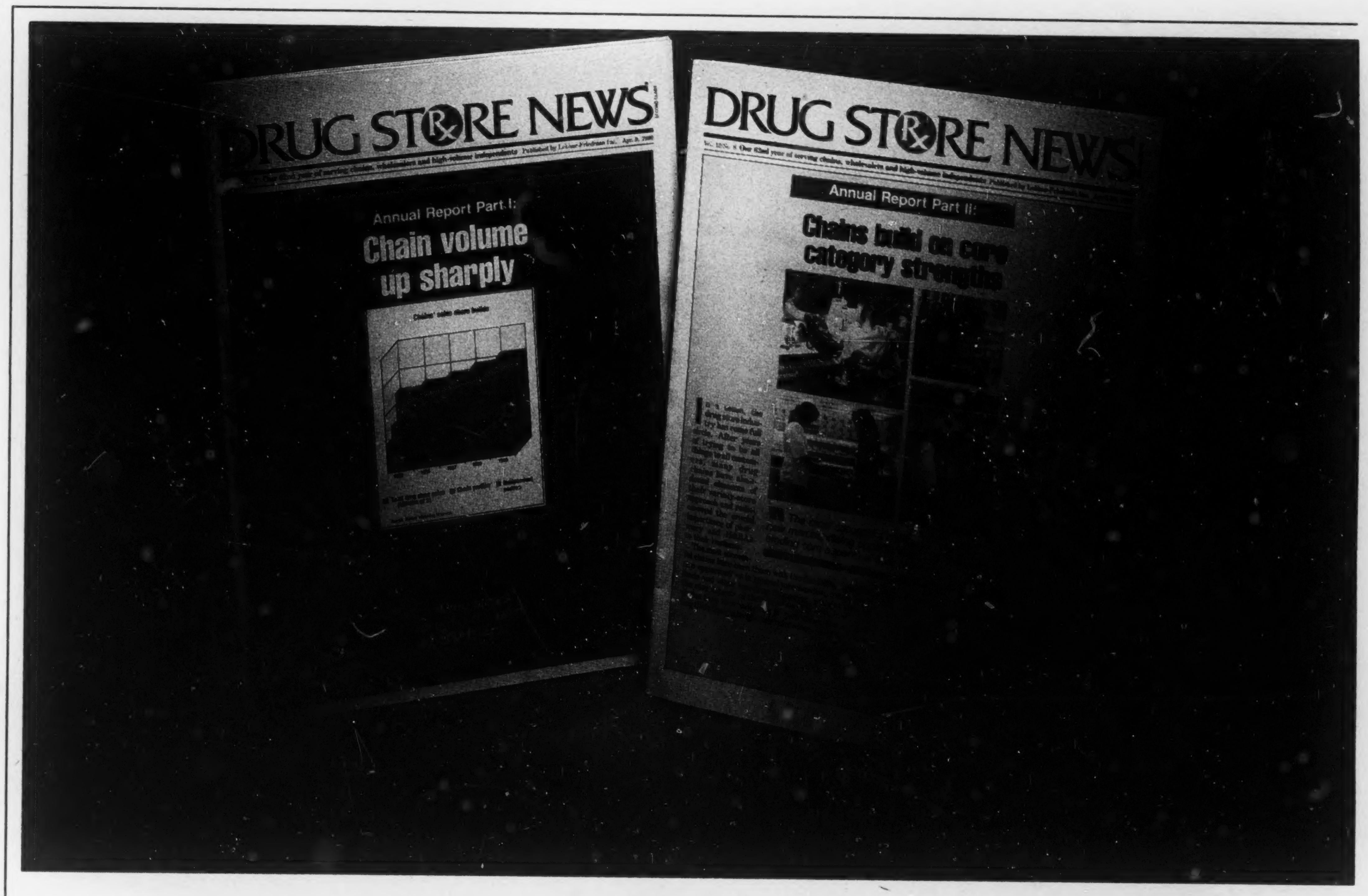
The latest market entry is Slim Fast Entrees, now being test-marketed in 10 sites throughout the country. The 12-entree line, each within the 250-400 calorie range, will be available nationally by this summer.

Retailers seem eager to get the entrees in their stores. “People are still very concerned about their diet plans, and adding line extensions like these entrees will undoubtedly help the overall category grow,” one major western retailer told *Drug Store News.*

In addition, Slim Fast has created awareness by connecting with TCBY Yogurt. The company has agreed to blend the shake mix with its yogurt, to give dieters one more option to use on the plan.



Source: A.C. Nielsen



You've been waiting all year for this couple to make their special appearance. The wait is over.

In April, all eyes will be focused on two of the most important ***Drug Store News*** issues of the year:

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Fay's reports record fourth qtr. and 12 mos.

LIVERPOOL, NY. — Fay's, Inc. posted record fourth quarter and 12-month earnings for the year ended Jan. 25, as same-store sales for the year increased 8.9 percent. The results don't include the 48-store Carls Drug chain which Fay's has agreed in principle to buy.

Annual earnings before extraordinary charges were $12.3 million, or 80 cents a share, compared with $10.4 million, or 68 cents a share last year. After charges of $1.24 million, earnings are $11.1 million, or 72 cents a share.

The charges stemmed from the 1991 purchase of $27 million face value 13 3/4 percent subordinated debentures. Year-to-year comparison was also affected by an unusually low tax rate in 1990 due to the use of capital loss carry forwards, Fay's reported.

Revenues for the year increased 17.2 percent to $672.6 million.

Fourth quarter net earnings were $5 million, or 43.6 percent better than last year's comparable quarter. Sales were $190.7 million, up 17.9 percent.

Expressing pleasure with the results, chairman Henry Panasci, Jr. pointed to improvements in gross margin and operating expense ratios. "The current economic situation has not dampened our expectations. We feel confident that our momentum in sales will continue and further improvement in expense ratios is possible," Panasci said.

Genovese posts record earnings on 309% increase in fourth qtr.

MELVILLE, NY. — Genovese Drugs posted a 309 percent increase in fourth quarter net income for the period ended Feb. 1, with record earnings of $2.68 million, or 40 cents a share compared with last year's $656,000 (ten cents a share).

Fourth quarter sales increased 2.4 percent to a record $113.1 million, helping to drive record sales for the full year. Twelve month sales were $432 million, or 6.6 percent better than last year. Net earnings for the 12 months were $5.5 million or 82 cents a share, which was one cent a share off the record earnings reached in the 1989 fiscal year.

This year's earnings are 99 percent better than last year's.

Arbor posts 12.9% increase in net income for second qtr.

TROY, Mich. — Arbor Drugs posted a 12.9 percent increase in net income for the second quarter ended Jan. 31, with earnings of $4.1 million, or 43 cents per share.

Chairman Eugene Applebaum, noting that the results include the holiday shopping season, said the earnings and sales are the best quarterly performance in the company's history.

Sales grew 18.6 percent to $107.3 million, making this the first time the company's quarterly sales have surpassed the $100 million mark. Comparable-store sales climbed a robust 9.1 percent, and are up 9.7 percent for the six months.

Six-month sales are $200.2 million, with six months earnings of $6.8 million, or 71 cents per share.

Durr-Fillauer's net income rises for the fourth quarter and year

MONTGOMERY, Ala. — Durr-Fillauer posted net income of $17.1 million on revenues of $815.5 million for the year ended Dec. 31.

Net income for the previous year was $14.5 million on sales of $705.8 million.

For the fourth quarter, net income was $5.0 million, versus $4.4 million in the year-earlier period, and revenues were $213.1 million, compared with $188.6 million.

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Vol. 13, No. 6 Mar. 18, 1991

MARKET DIARY:

Largest Dollar Gainer	American Stores	$ 10.38
Largest Dollar Loser	American Home Products	$– 1.75
Largest Percentage Gainer	ICN Pharmaceutical	48.48%
Largest Percentage Loser	Big B	– 8.33%

Advances	47
Declines	7
Unchanged	3
New highs	31
New lows	0

	Close 2/19/91	Close 3/5/91	Net Change	Percent Change
Drug Store News Index	3721.06	3929.06	208.00	5.59
Dow Jones Industrial Average	2932.18	2972.52	40.34	1.38
Standard & Poor's 500-Stock Index	369.39	376.72	7.33	1.98
N.Y.S.E. Composite	201.40	205.74	4.34	2.15
Value Line Index	228.45	222.00	– 6.45	– 2.82

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 2/19/91	Closing Price 3/5/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.38	6.50	0.13	1.96	25	0.00	0.00	7.56	4.50
OTC	Arbor Drugs (H)	ARBR	23.25	24.00	0.75	3.23	20	0.20	0.83	24.50	13.25
OTC	Big B	BIGB	9.00	8.25	– 0.75	– 8.33	– 20	0.00	0.00	13.13	4.75
OTC	Drug Emporium	DEMP	7.75	8.13	0.38	4.84	13	0.12	1.48	11.00	6.25
NYS	Fay's Inc. (H)	FAY	11.50	11.00	– 0.50	– 4.35	15	0.20	1.82	11.63	7.25
ASE	Genovese Drug (H)	GDX.A	7.75	9.75	2.00	25.81	18	0.24	2.46	9.75	5.50
NYS	Longs Drug Stores	LDG	36.50	36.13	– 0.38	– 1.03	12	1.04	2.88	43.63	30.88
OTC	Medicine Shoppe	MSII	24.25	25.00	0.75	3.09	22	0.24	0.96	26.75	15.50
NYS	Perry Drug	PDS	6.00	6.38	0.38	6.25	106	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp. (H)	RAD	43.13	44.13	1.00	2.32	18	1.00	2.27	44.13	29.50
NYS	Walgreen Co.	WAG	31.88	32.00	0.13	0.39	22	0.44	1.38	32.88	20.63
Wholesaler's transactions											
ASE	Bergen Brunswig (H)	BBC	31.75	30.75	– 1.00	– 3.15	16	0.40	1.30	31.88	21.38
OTC	Bindley Western Ind. (H)	BIND	14.00	17.13	3.13	22.32	17	0.04	0.23	17.63	8.63
OTC	Cardinal Distribution (H)	CDIC	34.63	34.75	0.13	0.36	29	0.08	0.23	37.00	16.50
OTC	Durr-Fillauer (H)	DUFM	27.88	29.50	1.63	5.83	22	0.24	0.81	29.50	16.00
ASE	Ketchum	KCH	2.25	2.25	0.00	0.00	– 3	0.00	0.00	2.75	1.25
NYS	McKesson Corp.	MCK	34.13	34.25	0.13	0.37	15	1.60	4.67	38.38	26.88
ASE	Moore Medical	MMD	6.00	6.50	0.50	8.33	– 8	0.00	0.00	7.38	3.50
NYS	Owens & Minor	OMI	17.63	18.00	0.38	2.13	17	0.24	1.33	18.75	10.75
Manufacturer's transactions											
NYS	Abbott Labs	ABT	46.88	45.63	– 1.25	– 2.67	21	0.84	1.84	47.88	31.38
NYS	American Home Products (H)	AHP	59.38	57.63	– 1.75	– 2.95	15	2.28	3.96	59.63	43.00
NYS	Baxter International (H)	BAX	31.50	32.00	0.50	1.59	– 229	0.72	2.25	32.00	20.50
OTC	Block Drugs Co. (H)	BLOCA	45.63	47.00	1.38	3.01	17	0.80	1.70	47.00	29.63
ASE	Bolar Pharmaceutical	BLR	4.75	6.25	1.50	31.58	– 5	0.00	0.00	10.00	1.88
NYS	Bristol-Myers Squibb (H)	BMY	75.88	77.50	1.63	2.14	23	2.40	3.10	78.00	51.00
NYS	Carter-Wallace (H)	CAR	59.63	62.63	3.00	5.03	18	0.92	1.47	62.63	44.88
ASE	Columbia Labs	COB	8.00	7.50	– 0.50	– 6.25	– 5	0.00	0.00	14.75	3.63
ASE	Forest Labs (H)	FRX	30.63	35.63	5.00	16.33	41	0.00	0.00	35.63	17.50
ASE	Halsey Drug	HDG	3.13	3.69	0.56	18.02	369	0.00	0.00	5.44	2.13
NYS	ICN Pharmaceutical (H)	ICN	4.13	6.13	2.00	48.48	– 3	0.00	0.00	6.13	2.50
ASE	Lee Pharmaceutical	LPH	1.25	1.25	0.00	0.00	– 7	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition	PLI	10.75	11.13	0.38	3.49	10	0.00	0.00	12.63	6.75
NYS	Lilly Eli Co.	LLY	81.25	84.38	3.13	3.85	22	2.00	2.37	90.38	60.63
NYS	Marion Labs (H)	MKC	37.50	38.88	1.38	3.67	22	0.80	2.06	39.63	21.00
NYS	Merck Co. (H)	MRK	102.38	104.00	1.63	1.59	23	2.24	2.15	104.50	67.13
NYS	Mylan Labs	MYL	22.25	23.88	1.63	7.30	26	0.20	0.84	24.75	13.75
NYS	Par Pharmaceutical	PRX	5.13	5.25	0.13	2.44	– 4	0.00	0.00	8.13	3.38
NYS	Pfizer Inc. (H)	PFE	104.00	107.25	3.25	3.13	22	2.64	2.46	107.25	55.00
NYS	Rhone-Poulenc Rorer (H)	RPR	80.25	81.75	1.50	1.87	– 157	0.84	1.03	81.75	56.75
NYS	Schering Plough (H)	SGP	47.75	51.00	3.25	6.81	20	1.12	2.20	51.00	38.25
NYS	Syntex Corp. (H)	SYN	70.88	78.13	7.25	10.23	24	1.60	2.05	78.13	47.13
OTC	Taro-Vit Industries	TAROF	3.38	3.38	0.00	0.00	– 56	0.00	0.00	3.38	0.88
NYS	Upjohn Co. (H)	UPJ	41.38	45.00	3.63	8.76	18	1.16	2.58	48.00	33.00
NYS	Warner-Lambert (H)	WLA	77.00	78.00	1.00	1.30	22	1.76	2.26	80.00	50.50
OTC	Zenith Labs	ZENL	6.25	6.50	0.25	4.00	– 1	0.00	0.00	9.50	3.75
Other retailer transactions											
NYS	Albertson's (H)	ABS	39.38	42.00	2.63	6.67	26	0.48	1.14	42.00	26.50
NYS	American Stores (H)	ASC	68.88	79.25	10.38	15.06	18	1.12	1.41	79.25	42.63
NYS	Giant Food (H)	GFS.A	29.88	31.00	1.13	3.77	16	0.60	1.94	31.00	21.13
NYS	Great Atlantic&Pacific Tea	GAP	52.63	53.38	0.75	1.43	13	0.80	1.50	59.63	37.75
NYS	Kmart (H)	KM	35.75	38.63	2.88	8.04	23	1.72	4.45	38.63	23.38
NYS	Kroger (H)	KR	20.50	22.25	1.75	8.54	23	0.00	0.00	22.25	10.63
NYS	Melville Corp.	MES	48.50	49.88	1.38	2.84	14	1.44	2.89	57.75	32.75
OTC	Fred Meyer	MEYR	15.25	16.00	0.75	4.92	– 80	0.00	0.00	18.25	10.00
NYS	Penney, JC	JCP	53.38	56.38	3.00	5.62	12	2.64	4.68	70.88	37.38
NYS	Safeway (H)	SWY	16.50	18.88	2.38	14.39	21	0.00	0.00	18.88	10.25
NYS	Smith's Food & Drug (H)	SFD	38.63	40.00	1.38	3.56	29	0.36	0.90	40.00	24.25
NYS	Wal-Mart (H)	WMT	36.75	37.00	0.25	0.68	33	0.12	0.32	38.13	22.38

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

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The newspaper of drug store retailing
April 1, 1991

DRUG STORE NEWS®

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LATE NEWS

• ALEXANDRIA, Va.- Drug Store News learned at presstime that Chris Gallagher's relationship with NACDS had been terminated. Gallagher was senior vp at the association.

• WALNUT CREEK, Calif. - Longs Drug Stores will move some of its headquarters operations to a second location this fall.

FEATURES

Chains explore 'green' avenues

Pay Less and other chains are taking up the 'green' gauntlet and moving ahead with environmental plans. **Page 15.**

Deep-discounter sports new look

'Thinking like a customer' and a new look spells success for the Rx Place that r [illegible] on Long [illegible]

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SECOND CLASS

Chains face ecological challenge

Since the beginning of the Industrial Revolution, people have tended to treat the earth, air and water as either a vast garbage dump or an infinite source of raw materials. The results of two centuries of environmental abuse are now all around us.

A growing coalition of industry, government and private citizens has begun the massive task of reordering our perilous and destructive relationship with the environment. Consumers are clamoring for products that are less damaging to the ecosystem, and manufacturers are scrambling to come up with solutions. The so-called green revolution is still gathering steam.

This revolution has major implications for retailers. Many have met the challenge aggressively, while others wait until standards are more clearly defined. It is clear they play a big role.

The special report beginning on page 11 of this issue examines the environmental crisis, its implications for retailers, and some possible solutions. It looks at what's brewing on the legislative side, as well as what some retailers and manufacturers are currently doing to address the environmental concerns of consumers.

In future issues, Drug Store News *will continue its coverage with monthly articles as the "Decade of the Environment" unfolds.*

This issue was printed on recycled paper.

Big B caps down year with record earnings

By James Frederick

BESSEMER, Ala. — Big B recorded the first annual loss in its 23-year history in fiscal 1991, but ended the year on a dramatic upswing. Earnings for the 14-week fourth quarter hit a record $2.45 million, marking a turnaround from two consecutive quarters of losses.

Sales for the period rose a meager 2.8 percent over a 15-week fourth quarter last year. Same-store sales, however, were up a sharp 13 percent.

For the year, Big B lost $1.46 million, compared with a profit of $3.71 million in fiscal 1989. The loss was attributed to a sharp reduction in gross margins, particularly in the hard-pressed Atlanta market where Big B is still consolidating operations of the former Reed drug stores it purchased from Peoples two years ago.

Big B attributed the fourth-quarter turnaround to cost-cutting efforts and a move to higher prices—what it called

See **Big B** *page 49*

Will Eagle deal fly?

By Susan Ball

EAGLE DRUG STORES

MINNEAPOLIS — A deal is on the table to buy Eagle Drugs, a wholesale cooperative of 57 independent drug stores located primarily in the Minneapolis-St. Paul metropolitan area, *Drug Store News* has learned from reliable sources.

The likeliest buyer is believed to be Alco Health Services.

Neither Alco nor Eagle president Bruce Foster would comment at press time.

However, a trade executive familiar with the Minneapolis-St. Paul market said it would be a logical move for Alco, which is a strong operator in Minnesota outside this

See **Eagle Drugs** *page 49*

Thrifty undertakes 'soul searching' study

By David Vaczek

LOS ANGELES — As part of its sweeping shakeup, Thrifty Corp. has launched a wide-ranging consultant study on its business practices and goals and replaced another top executive.

The subsidiary of Pacific Enterprises has hired Management Horizons to work with the drug store and sporting goods store group, and expects a report by mid-year, said Chris Bement, executive vp, Thrifty Corp.

Meanwhile, far-reaching management changes continued with the resignation of Donald Bernheisel as chief of management information systems. Thomas Beauchamp was named senior vp, director-MIS to replace him. Beauchamp came from The Broadway, and served earlier at Miller's Outpost, a clothing retailer.

Thrifty is ahead of schedule in rolling out point of sale systems and foresees chainwide completion this year, a source told *Drug Store News*.

Kenneth Crosby, the former senior-vp buying, also resigned, Bement confirmed. Robert LaFerriere was named as senior vp-buying last year in one of the first waves of Thrifty replacements.

Since Eve Rich joined as Thrifty Drug Stores president in December, Robert Glass was hired as executive vp-Thrifty Drug, responsible for operations and systems. Dan Ramirez became the new vp-pharmacy.

Also, Daniel Seigel, president and COO of Thrifty Corp., named Philip Maslowe as Thrifty Corp. executive vp and cfo, and Richard Dortch, a 21-year Thrifty veteran was promoted to president of Pay 'n Save Drug Stores.

Management Horizons was brought in against the backdrop of Thrifty's dominant store presence in the Greater Los Angeles market, and a history of coping with too-high

See **Thrifty** *page 49*

NEWS IN BRIEF

Thrifty-White, Snyder back in business

MINNEAPOLIS — Thrifty-White Drug is back doing business with Snyder Drug's wholesaling division, after a yearlong experiment operating its own split-room.

The 55-store chain, which will retain the Thrifty-White name on all its stores, had hoped to develop its own warehousing system, said Cliff Wallace, vp-operations. But startup costs proved to be prohibitive, he said.

Snyder will again be Thrifty-White's primary wholesaler for general merchandise, HBA and seasonal. In addition, Snyder's marketing programs will again be available to Thrifty-White. Wallace said Northwestern Drug Co. will be the chain's main pharmaceutical wholesaler.

All stores will be up and running on Snyder's distribution system by April 1, he added.

Western DC set for Phar-Mor

AURORA, Colo. — Taking the next logical step as it expands in new western markets, Phar-Mor is planning to open a regional distribution center here to serve 11 western states. The new center will occupy two leased buildings totaling 189,000 square feet in the Upland Industrial Park near Denver.

The off-price chain operates eight units in the state, and last year opened its first stores in Arizona, New Mexico, Oklahoma, Nebraska and Nevada. This year, Phar-Mor plans to add stores in markets like Phoenix, Albuquerque, San Antonio, Las Vegas and Oklahoma City, while opening its first units in California.

Nationwide, the chain now operates 245 stores in 27 states, serviced by distribution centers in Youngstown and in Orlando, Fla. Plans call for a total of 65 new stores this year.

Medicare-Glaser stores go unclaimed

ST. LOUIS — Medicare-Glaser, operating under Chapter 11 protection, has rejected about 55 unclaimed drug store leases. Market sources expect most of the sites will wind up no longer being drug stores, since Walgreens and others have quickly picked up their business.

Indeed, some Walgreens stores here are up to 1,000 scripts a day, one source said.

"I don't anticipate any major chain coming in. The market wouldn't support it," Jerry Callahan, pharmacy group manager at National Supermarkets, told *Drug Store News*. National operates 31 Kare Pharmacies in its supermarkets.

One source said that Medicine Shoppe, which has already claimed five leases, is a potential tenant in "12 or 13" more.

Walgreens, with many of its stores near Medicare-Glaser locations, took over only four Medicare-Glaser leases. Rinderer's Drug, a local independent, built its chain to eight stores with the purchase of two leases, said Matt Carlisle, director of pharmacy.

Gillette signs agreement with Soviets

BOSTON — Gillette Co. said it has signed a joint venture agreement with a business group in Leningrad, U.S.S.R., to manufacture blades, shaving systems, and disposable razors to meet developing consumer demand in the Soviet Union. Capacity for up to 750 million units a year is planned.

Gillette's partner will be the "Leninets" Concern, a company that manufactures and sells a wide range of consumer products and is involved in scientific research, foreign trade and banking. Gillette will hold a majority of equity in the project and have management control.

A.A. Subchak, the mayor of Leningrad, witnessed the signing and expressed support for the project, which was hailed by "Leninets" president A.A. Turchak, as a route to solving a domestic supply problem.

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Perry's on the right track, Robinson tells shareholders

By James Frederick

DETROIT — Perry Drug Stores is likely to remain an independent company with no change in top management, chairman Jack Robinson indicated at the company's annual meeting here March 12.

In a question-and-answer session with shareholders, Robinson denied that there had been any serious takeover offers for the chain in the past couple of years: "There has been a lot of speculation and conjecture. . . There have been no substantial offers made."

Robinson also reaffirmed his intention to remain at the company's helm: "I intend to continue to work with all the energies I have to return the company to profitability."

Shareholders restless

The mood among shareholders attending the meeting was more restive than in years past, with unsettling questions raised about Perry's management and direction following a recent earnings downturn and some negative press about the company and its leadership in recent months. Shareholders are unhappy with Perry's stock price, which has languished since the stock market crash of 1987 after hitting an all-time high of $20.75 in 1986. At press time, the stock was trading for $6.50.

Nevertheless, most of the dozens of shareholders attending the meeting seemed supportive of Perry's current management slate and strategy for regaining its momentum. They applauded comments by board member Tom Fox defending Robinson's leadership, and were buoyed by the chain's recent return to profitability after reporting a loss in fiscal 1990. Perry was back in the black in the first quarter of fiscal '91, earning $1.4 million for the period ending Jan. 31.

Robinson said Perry's leaders were "obviously very disappointed" about fiscal '90's results after eight consecutive quarters of improving earnings.

Upturn in performance

Robinson attributed Perry's recent upturn in performance to "stringent cost control measures," the recent installation of the PerryLink pharmacy computer system, and a new ad strategy that relies heavily on television spots and highlights the role of Perry's "Redcoat" pharmacists.

Other positive factors:

•The long-term prospects for the 35 former Revco stores Perry purchased in Michigan last year. Those stores boosted market share in the Detroit tri-county metro area and in Flint, Ann Arbor and other markets.

•Remodeling of 136 of Perry's 228 stores to the "Store of the '90s" format, with roughly 40 more units slated for conversion this year.

•The continued growth of Perry's pharmacy business, which now accounts for 40 percent of store sales. Rx sales were up 24.6 percent in the first quarter, to $67 million.

•The added draw of Perry's 46 24-hour drug stores.

•Perry's redesigned private label line.

Following the meeting, Perry president Dave Schwartz told *Drug Store News* gross margins were "reversing" back to an upward trend after falling "dramatically in all market areas" last fall.

Perry intends to divest its Health Care Division

PONTIAC, Mich. — Perry Drug Stores has signed a letter of intent to sell the balance of its Health Care Division, in a move to focus completely on its core drug store business. The sale will close the final chapter on non-core ventures at Perry.

The division will be sold to an investor group that includes members of its management team, including three-year division president Michael Klein. The division generated 1990 sales of roughly $25 million through a network of ComfortCare home health outlets and additional services like durable medical equipment, infusion therapy and respiratory therapy.

A clinical laboratory business that operated within the Health Care Division has already been sold to Advanced Medical, a subsidiary of Met-Path, Inc. of Teterboro, N.J.

The division's revenues comprised only about 4 percent of Perry's $658 million in sales last year. Perry chairman Jack Robinson said its sale was "consistent with the company's long-term strategy."

Genovese sees 99% net income increase

MELVILLE, N.Y. — Belt-tightening measures, including stringent expense and inventory controls, helped Genovese Drug Stores finish its fiscal year with a 6.6 percent increase in sales and a 99 percent increase in net income.

Sales were $432 million and net income was $5.5 million for the year ended Feb. 1.

Fourth-quarter results set records: Net income rose 309 percent, to $2.7 million or 40 cents a share from $656,000 or 10 cents a share in the year-earlier period, and sales were up 2.4 percent, to $113.1 million compared with $110.4 million.

The inventory clamp kept borrowing needs, and consequently, interest costs, down versus the previous year, said vp and treasurer Jerome Stengel.

Genovese also had a good Christmas season, Stengel said, with "significantly" less overstock and a better sell-through than the previous Christmas.

In addition, Genovese strengthened margins at store level, by raising prices on some products and reducing acquisition costs on others, he said, but declined to elaborate.

The 95-store chain opened only two stores (although one marked its debut in The Bronx) during 1990—not its typical 10 percent annual store growth rate—and closed or sold three stores. However, 24 stores were refurbished during the year.

"We're trying to improve productivity, from office to stores," Stengel summed up, echoing chairman Leonard Genovese's comments at the annual meeting last summer: "We are attacking productivity issues viciously."

Stengel added that Genovese plans to roll out the IBM 46-80 POS scanning system to about seven more stores this year, based on the system's performance in Genovese's new showcase store in Bay Shore, Long Island, which opened in October.

Corrections

In the February 18 issue of *Drug Store News*, Russ Smith was incorrectly identified as the president of May's Drug Stores. Smith is the executive vp for the chain.

Because of a typographical error in the March 4 issue, F&M president Frank Newman was incorrectly quoted as stating that the chain would have at least 133 stores open by the end of the year. The correct number is 113 stores.

Environmental leadership has its risks

IN THE MARKET
BRUCE BUCKLEY

Politicians (and battlefield commanders) know that you can't get too far in front of your constituents (troops) or you'll risk losing your office (head).

It's the same with retailers and customers. Retail leadership is important because being first can mean winning customers and market share, but beware of charging ahead too far. Your customers may not understand. And customer confusion can be a retailer's worst nightmare.

Caution seems to be the approach that many leading drug chains are taking on the environmental issue, as the articles in our special environmental section indicate. The chains' sensitive antennas hear the growing public clamor for "earth-friendly" products and actions, but they are nevertheless moving with care. Their customers may want environmental reform, but are not entirely certain about what's needed. They may talk about recyclable products, but not want to pay the increased cost.

So, despite the obvious importance of supporting the "green" issue, cultivating a cautious and responsible approach is sensible. As Gloria Lepik, Eckerd Drug's manager of marketing research, put it: "We want to find a good comfortable balance between being a zealot and being totally irresponsible."

Consumer education is the best way of clearing away confusion and staying just ahead of the charging crowd. Supermarket companies have taken the lead in education (page 16), but drug chains are catching up. Pay Less, for example, introduced a cartoon character called Forest Earthwell to help educate its customers about environmental issues without seeming to preach to them.

Pay Less is also letting its stores take the lead in localized education actions and encouraging the exchange of ideas. Sharing ideas is important. Competition seems out of place with an issue as important as the environment.

Ultimately, if the green issue is going to take hold, it has to make economic sense. So it's encouraging to see home lighting manufacturers introducing products that help the environment and also save consumers' dollars. Concentrated household cleaning products in smaller containers and tighter packaging are similarly producing less waste and using up less retail shelf space — another environmental/economic plus.

Drug Store News decided to print this issue on recycled paper, more as a test than a self-promoting stunt. We found the supply of recycled, coated-stock paper limited and available only in a heavier and more expensive weight. Our hope is that with increased demand more mills will begin turning out recycled paper and the cost will drop.

For us, like you, idealism has to be tempered by the bottom line.

'There's gold in them *green* hills'

WASHINGTON PERSPECTIVE
KEN RANKIN

It's taken awhile, but forces of the environmental lobby and the free enterprise system are finally moving on the same track. Well, at least they're moving in the same direction.

For years, most businesses either ignored environmentalism, or resisted it.

Recently, however, somebody discovered gold under the green. Manufacturers are relabeling, if not reformulating their goods to appeal to the public's growing appetite for environmentally sound products. Drug chains are repackaging their private label lines in recyclable containers. And self-appointed "certification" organizations are offering environmental product endorsements—for a price.

This is all fine. But there are some problems with the current commercialization of environmentalism.

- Some companies have gone overboard with broad and unsubstantiated claims about "environmentally pure" products or "totally recyclable" packaging.
- No telling what standards future regulators will set for environmental advertising, their boardroom lawyers warn. Adding to these concerns: the very real prospect of a proliferation of rules, regulations and guidelines by states, cities and hamlets nationwide.

Clearly, the boys in Washington need to set national standards governing environmental product claims!

Indeed, the Federal Trade Commission is considering a petition from a number of major food manufacturers who want the agency to come up with nationwide rules to clarify the situation for everyone.

Under the National Food Processors Association plan, FTC would develop federal standards governing five types of environmental claims: recyclability, recycled content, source reduction, refillable/reusable containers, and compostability.

There's more than a little irony in this proposal. After decades of ridicule as a meddlesome "National Nanny," the FTC is suddenly being viewed by industry as an environmental King Solomon.

Letter to the editor

Dear Editor:

I was most interested in your "In the Market" opinion in the March 4 *Drug Store News* regarding Mr. Alan Levin's site selection criteria. You state that when he is offered a potential site Mr. Levin doesn't need any "heavy-duty demographic studies" to make up his mind.

I am intrigued by Mr. Levin's abilities, both in terms of innate ability selecting sites and decisiveness on making up his mind. In my 41 years performing "heavy-duty demographic studies" to forecast sales for new stores, I've actually met only one CEO with the brilliance of intuitively knowing the worth of a site (the late Sidney Rabb at the Stop & Shop Companies). If Mr. Levin is such a person, more power to him!

In my experience with the prescription business, however, I've learned that at least one variable supersedes all others in determining drug store potential; that is, persons over 65 years old spend in the magnitude of four times that of a person aged 20. How much of that potential would go to Mr. Levin's store depends, among other things, on the nature of his location and the nature of the competition. Perhaps he can handle these factors qualitatively.

My inference is that Mr. Levin has an intuitive sense for demographics and knows his markets well. As long as the population densities close in to his stores are high and he is dealing with known competitors, his personal "analog system" of forecasting that he carries around in his head will work for him. In new markets, thinly populated markets or in situations with a different set of competitors, his intuition, I suspect, could lead him astray. Given the cost of a location mistake "heavy-duty demographics" are not an expensive insurance policy.

Howard L. Green
president, Howard L. Green & Associates

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Environmental choices aren't easy for retailers

One of the biggest by-products of the environmental movement in retailing and manufacturing has been confusion. Conflicting claims by some manufacturers, and misunderstandings by both consumers and retailers, have made green marketing a tough path to follow.

For one thing, there are few easy choices. Take the paper vs. plastic bag controversy: many consumers have expressed the desire for paper vs. plastic bags, but paper is far bulkier than plastic, takes up seven times as much landfill space, and eats up trees—about one 20-year-old tree for every 700 bags, in fact. Paper also biodegrades too slowly in landfills to extend their useful life, and its manufacture consumes more energy than that of plastic bags.

Plastic, of course, has problems of its own. It doesn't break down in the ground. It releases toxins when burned. It clogs waterways and chokes marine life when eaten or inhaled.

Unsubstantiated product claims

Meanwhile, claims by some manufacturers that their plastic garbage bags and diaper linings were "degradable" backfired when it was discovered that the cornstarch added to the plastic only caused the bags to decompose into smaller pieces in landfills. Enraged, seven environmental groups called in 1989 for a consumer boycott of "biodegradable" plastic bags, calling it an "environmental hoax."

"Unfortunately, a growing number of companies are going wild in this new green market," said Jeanne Wirka, a policy analyst for the Environmental Action Foundation. "These companies are trying to cash in on consumers' genuine concern for the environment by making misleading, unsubstantiated, and sometimes just plain false claims about the purported benefits of their products."

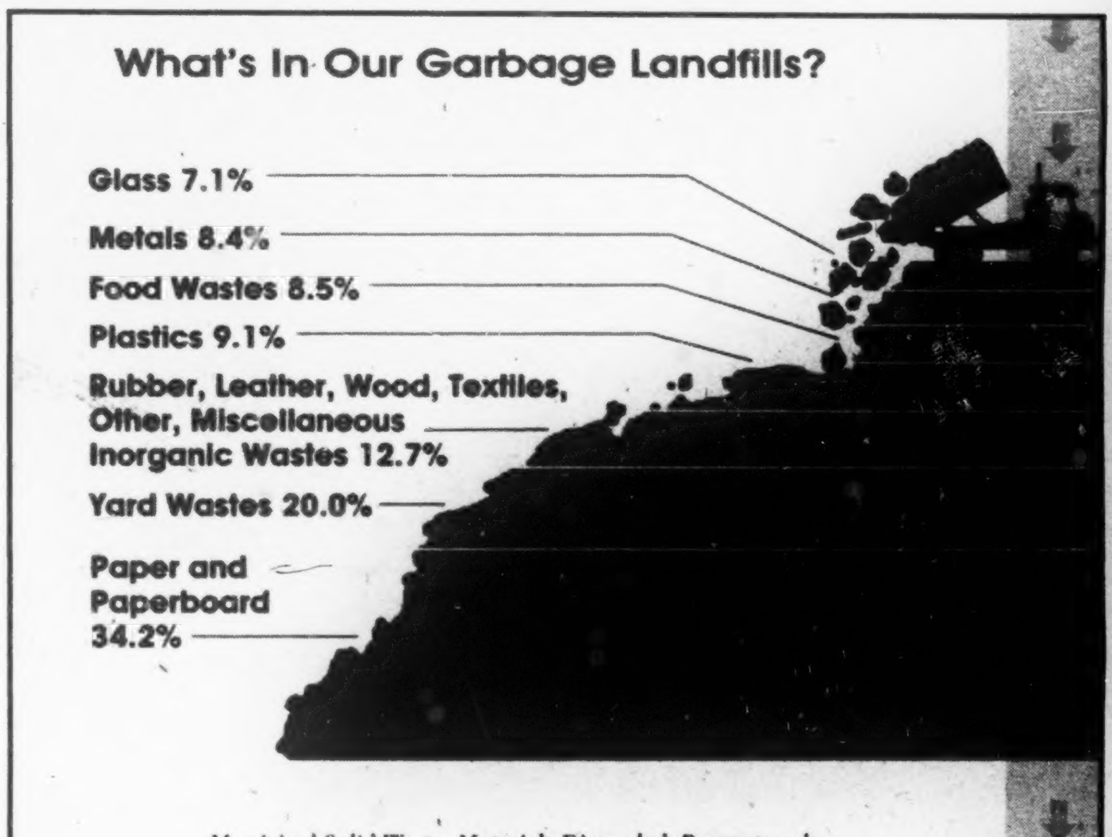
The confusion extends to recycling, as well. Manufacturers of plastic packaging have attempted to clear up the confusion and boost recycling by coding their products by the types of polymers used in their manufacture.

Amid a growing clamor for standards to clear up the confusion, several ratings systems have emerged to evaluate environmental claims made by manufacturers. Among them are two rival certifying agencies, Green Cross and Green Seal, as well as in-house testing programs by major retailers like Kmart, Wal-Mart and major food chains.

Many of those chains have also printed customer brochures (on recycled paper, of course) explaining the pros and cons of plastic vs. paper, the benefits of source reduction and recycling, and the choices all consumers must face. This kind of above-board, honest approach to the problems of waste and pollution has cut through some of the confusion and won praise from environmentalists.

Some facts about solid waste: problem grows, space is limited

- U.S. homes, businesses and public agencies generated enough trash every year—more than 160 million tons, according to the U.S. Environmental Protection Agency—to fill a line of 10-ton garbage trucks long enough to circle the earth five times. That's roughly a ton of waste per person every year.
- Landfills for major cities like New York, Chicago and Philadelphia are expected to be filled to capacity within a few years. New York and Los Angeles each have only one remaining landfill open; some experts think one-fourth of American cities will run out of landfill space by the mid-1990s.
- At present, fully 80 percent of our solid waste is deposited in landfills, according to the EPA. Another nine percent is incinerated; only 11 percent is currently recycled.
- Waste materials biodegrade far too slowly in landfills to extend their useful life. For instance, 30-year-old newspapers have been dug from landfills and still perfectly readable.
- Americans rate the environmental crisis as one of the nation's four most pressing problems, behind crime and drugs, AIDS and rising health care costs. Nearly eight in 10 say they would pay more for a product packaged in biodegradable or recyclable containers.
- Consumers see recycling and source reduction as the best way to deal with the waste crisis. Nearly six in 10 recycle aluminum cans, according to recent surveys. Far fewer recycle newspapers, plastic and paper bags and other items, but the numbers are growing as municipalities and retailers get into the act. Curbside recycling is preferred 2-to-1 over other types.



Municipal Solid Waste: Materials Discarded, Percentage by Weight — 1988

Source: U. S. Environmental Protection Agency, June 1990

States have green bills pending

By Gwen Driscoll

Lawmakers across the country are prescribing strong medicine for the environment this year in the form of dozens of new green bills which could impact the nation's drug stores.

Bottle deposit laws may hike the price of beverages, hazardous wastes disposal plans may require extra expense and labor, and recycling requirements could create unexpected shifts in consumer buying habits.

Some green groups hope the environmental movement will pick up enough steam this year to resuscitate legislation rejected by lawmakers in earlier sessions. In both **California** and **New York,** lobbyists are pushing waste reduction plans modeled on a controversial bill that was rejected by voters in Oregon last year.

Proposals to encourage or require recycling of various products are surfacing in a number of state legislatures this year. **New Jersey's** Governor Jim Florio, for example, recently lent support for one of the most ambitious state recycling plans yet—a 60% recycling mandate for all of the state's garbage by 1995.

A **California** group, meanwhile, is pushing a Throwaway Packaging Recycling Act which would require all containers to be recycled at a 25 percent rate by 1995, and a 50 percent rate by the year 2000. Significantly, the proposal would also require all businesses that sell disposable products and packaging to pay the "true net cost of recycling them."

Florida and **Indiana** are debating an increase in the mandatory deposit refund value to at least ten cents per beverage container.

Albany lawmakers are also debating proposed legislation to remove environmentally hazardous products from public reach in general. One of **New York's** two pending beverage container bills, for example, would ban the sale of beverages connected by plastic holding devices, as well as single serving juice boxes. Another New York bill would prohibit the sale of items at retail which are not packaged in biodegradable containers, as well as a separate measure to ban the sale of non-biodegradable disposable diapers.

Vermont introduced legislation that would ban the retail sale of empty polystyrene containers while **South Carolina** introduced a measure to prohibit the sale of cleaning agents containing phosphates. In **Maine,** new legislation would eliminate all products containing chlorofluorocarbons after January 1992.

Colorado lawmakers introduced a bill that would require disposable diaper packages to be labeled with a warning notice to consumers concerning the disposal impact of such products.

A proposal before the **Indiana** legislature would discourage deceptive environmental advertising claims.

Where retailers can go for environmental facts

On plastics recycling and degradability:
- The U.S. Environmental Protection Agency's Report to Congress: Methods to Manage & Control Plastic Wastes. For summary, call the EPA Hotline at (800) 424-9346.
- Environmental Defense Fund, 257 Park Ave. South, New York, N.Y. 10010. Phone (212) 505-2100.
- Council on Plastics and Packaging in the Environment, 1275 K St. N.W., Suite 900, Washington, D.C. 20005. Phone (202) 789-1310.
- Environmental Action Foundation, Jeanne Wirka, policy analyst, 1525 New Hampshire Ave. N.W., Washington, D.C. 20036. Phone (202) 745-4879.

Solid waste crisis overview:
- The Keep America Beautiful Solid Waste Task Force, Keep America Beautiful, Inc., Mill River Plaza, 9 West Broad Street, Stamford, CT 06902. Phone no.: (203) 323-8987.

Consumer attitudes research:
- The Green Shopping Revolution: How Solid Waste Issues Are Affecting Consumer Behavior 1990, an FMI/Better Homes and Gardens study. Call FMI at (202) 429-8263.
- The Environment: Public Attitudes and Individual Behavior, a study by The Roper Organization commissioned for SC Johnson & Son, Inc. Call (414) 631-4728.

Environmental product info:
- Green Seal and Green Cross, two programs which test and set standards for products which carry environmentally friendly claims.

Other environmental threats:
- The Sierra Club, 730 Polk St., San Francisco, Calif. 94109. Phone (415) 776-2211.
- Wilderness Society, 1400 Eye St. N.W., Washington, D.C. 20005. Phone (202) 842-3400.

Makers bank on low wattage bulbs to light up market

Light bulb manufacturers are betting that low-wattage bulbs introduced this year will turn on consumers—despite the relatively high ticket for fluorescents and halogen bulbs.

The environmental benefits are just one of the selling points for bulb lines launched this year by General Electric and GTE-Sylvania. Philips Lighting is leaning on halogen and fluorescent bulbs it launched last year.

By their more efficient use of electricity, bulbs save on usage costs while producing about the same amount of light. Suppliers are also aggressively educating consumers on how new lamp technology can bring more creative lighting into their homes.

Educating shoppers about low-wattage bulbs is vital.

The price question is considerable—with fluorescents and halogens often topping $20, compared with a buck or two per incandescent bulb. Heavy bulb users can easily justify the investments.

Pay more for green products

In a recent poll conducted for GE, 82 percent of consumers said they "were more likely to buy—and pay a little more for—products that positively impact the environment."

GE's answer: the Energy Choice line of five fluorescents and four incandescents, packaged in green-colored recycled material. The 90-watt Energy Choice incandescent can provide energy costs over a 100-watt soft white. The more dramatic savings are in the fluorescent screw-ins. For example, the 27-watt Circlite fluorescent, a circled tube, lasts ten times longer than the 75- watt soft white it replaces, saving $38 in energy costs over its life.

GTE-Sylvania unveiled its Energy Saver line, also with green packaging, which includes lower wattage incandescent bulbs, replacing bulbs of higher wattage, and a soft white compact fluorescent for home use. Aimed at upscale customers, its 18 watts produce light comparable to a 75 watt lamp, and it lasts 10,000 hours compared to an incandescent's 750 hours.

Moreover, the Energy Saver incandescents are slightly smaller than the A-19 standard-size, using fewer raw materials in their make and packaging.

Philips is banking on the low wattage attributes of its compact fluorescent Earth Light launched for home use last year, and its HalogenA halogen introduced in August, 1990.

Consumers need education, many agree. They don't associate a light bulb with noxious gases such as sulfur and nitrous oxides, or connect those vapors with smog, acid rain, ozone depletion or the greenhouse effect.

As a high percentage of electricity is made by burning fossil fuels, which emits these gases, it pays to reduce electrical consumption, says John Merrill, business manager at The American Council For An Energy-Efficient Economy.

Sulfur oxide emissions contribute to acid rain, nitrous oxide is a respiratory irritant and promotes smog formation, acid rain, and ozone depletion. And carbon dioxide, also formed by burning fossil fuel, is the No. 1 contributor to global warming.

Heavy users save the most from compact fluorescents

(Electric bill savings from replacing a 75 watt incandescent bulb with an 18 watt compact fluorescent)*

Hours of use	In year 2	In year 3	In year 10
2 hrs. a day	($16.17)	($ 6.51)	$ 18.29
4 hrs. a day	(12.34)	2.97	36.58
8 hrs. a day	(4.68)	25.95	92.65
12 hrs. a day	2.97	28.92	129.23

Consumer savings on electricity quickly exceed the high $20 average ticket of a compact fluorescent lamp. (The fluorescent generates 1100 lumens; the incandescent 1220 lumens.)

Source: The American Council For An Energy-Efficient Economy.

GE's Energy Choice packaging features charts that show the amount of coal, oil and natural gas saved by using the low wattage bulbs. The charts also show the reduction in carbon dioxide emissions the bulbs allow.

GTE stresses the versatility of its bulbs with a lighting selector guide—a leaf ring binder at point-of-sale—that gives tips on household applications, and encourages the trade-up.

Vendors move to rid batteries of mercury

There isn't yet an economical technology for recovering metals from alkaline and zinc-carbon batteries.

Manufacturers contend that batteries account for a small percent of landfill space, and that their impact in the waste stream is benign. Eveready, Duracell, Rayovac and Panasonic have, nevertheless, moved toward lowering the mercury content in batteries, since mercury is a toxic hazardous waste.

In addition, safe zinc-air technology, which replaces mercuric oxide-based systems in hearing aids, is being used more and more. And suppliers have, for the most part, made their packaging less wasteful and more space-efficient. Eveready, for instance, went to shrink wrap and reduced packaging materials by 70 percent.

Vendor initiatives include less mercury and packaging.

Since 1984, the industry has lowered mercury use by 92 percent, even as battery sales have increased, says John Daggett, a Rayovac spokesman.

Eveready, Duracell, Rayovac and Panasonic have each reduced alkaline batteries' mercury content to .025 percent, from about one percent. They've developed proprietary methods to replace the mercury, which acts as a stabilizer between the batteries' two safe metals, zinc and manganese.

Batteries still targets

Yet, batteries remain a frequent focus of pro-environment consumers. Bills are pending in many states to mandate mercury reduction. The vendors today meet the strictest levels required, but New Jersey and Minnesota are now proposing laws to require a mercury level of zero. Some states and localities have also made proposals for collecting used batteries, says Charles Monahan, planning manager of Panasonic.

Some feel that the potential of rechargeables as an environmental alternative has been exaggerated. "People are running around and saying rechargables are the solution. They're not," says Panasonic's spokesman Dan Halaburda.

When used properly, they can allow sizable savings. A single rechargeable can replace 100 alkalines, but don't fill all battery needs. And most contain cadmium, a metal at least as toxic as mercury. On the plus side, rechargeables can be recycled to some extent, and the nickel and cadmium metals recovered.

Connecticut has passed a law saying that by July, 1993, rechargeable batteries built into products must be easily removed from them, Monahan said.

In Randolph, Vermont last month, residents capped a drive in which they collected and sorted used batteries, and sent the cells back to the vendors. The ceo's office at Eveready received one of the token shipments of used batteries, which the residents charged were hazardous waste. The box was disposed of in a St. Louis landfill, said Terry Telzrow, Eveready's manager of standards and product safety.

Telzrow said that three major studies in the U.S., Europe and Japan have found no evidence of environmental hazard from batteries disposed along with household waste. In tests, no metals leached from battery-containing landfills into the ground.

"There is no environmental problem with batteries. There has never been an incident, anywhere on the planet, where household batteries have caused a health or environment problem," said Jim Donahue, Duracell's spokesman.

Retailers recover batteries

Five hundred retailers, including most drug stores, in Minnesota's Hennepin County, which encompasses Minneapolis and some suburban and rural areas, have been collecting "button" batteries for about a year. The batteries contain enough silver and mercury to warrant sending them to a metals recovery facility.

Encouraged by the program's success, the county launched a pilot program in November, in cooperation with Snyder Drug and local library branches, to collect all batteries found in household use, including alkaline, zinc carbon, nickel cadmium and some lithium.

The county provided 32-gallon Rubbermaid plastic bins wrapped in plastic "skirts" to resemble big, freestanding batteries. The containers, which have wheels for easy carting, are usually located up front, often near battery displays, in Snyder stores.

"The goal is to divert the heavy metal in these batteries from the waste stream," said Mark Oyaas, the county official in charge of the project.

The dead batteries are collected by a nonprofit organization for hard-to-employ adults and taken to a special hazardous waste landfill. Oyaas, who said Snyder had approached the county to help, hopes to expand the battery collection program to other retail outlets by summer.

Still entangled in red ink, Revco seeks turnaround

TWINSBURG, Ohio — Sluggish sales growth, high costs of doing business and hefty interest payments kept Revco D.S. mired in red ink in the third quarter. Net loss for the quarter was $12.7 million on sales of $467.4 million.

Excluding the results of 712 stores divested as of the second quarter of fiscal 1991, Revco's loss for the same period last year was $9.9 million on sales of $457.6 million.

Third-quarter earnings before income taxes, reorganization items, interest and depreciation were $14.7 million for the chain's current base of 1,126 stores, compared with operating profits of $18.4 million for 1,161 stores in the same period last year. Same-stores sales were up 3.4 percent for the quarter and 4.9 percent for the year-to-date.

Revco cfo Greg Raven cited a sluggish economy for the modest sales growth, but said "recent trends are positive. Our performance in the third quarter has shown some improvement over disappointing first-half results. It is anticipated that improvement will continue in the final quarter."

Revco also said the company "did not have to borrow to build seasonal inventory levels" for what turned out to be a "slow" Christmas selling season. In addition, he said, Revco now has a cash buildup of $73 million in short-term investments.

Calling fiscal 1991 a year of "disruptions," Revco chairman and ceo Boake Sells cited several strategic programs now in place that would help fuel the chain's turnaround. Those include chainwide installation of a new, interactive Rx computer system called Prescription Access Link; completion of chainwide installation of POS scanners; ongoing store remodelings; and the divestiture of 712 stores and three distribution centers in 17 states.

Those tasks were done ahead of schedule, Sells said, and most of the funds needed to fuel the chain's repositioning have already been spent. "The only major capital program we will still pursue in the fourth quarter is our continued commitment to a major store remodeling program," he added. "Since the beginning of this fiscal year we have remodeled over 270 stores."

Higher margins, cost cuts help Fred Meyer's results improve

PORTLAND, Ore. — Improved gross margins and expense cuts helped Fred Meyer's fourth quarter operating results ended Feb. 2, despite softer sales in the period.

Net sales for the quarter were $668.8 million, compared with $672.9 million in the year-ago period, and income from operations was $26.5 million, versus a loss of $35.1 million for the 1989 fourth quarter. Comparable-store sales were up 1.4 percent for the quarter.

Fourth-quarter net income increased to $15.6 million, compared with a loss of $23 million in the year-earlier period.

Net sales for the year rose 8.4 percent, to $2.48 billion from $2.28 billion, and income from operations was $67.5 million, versus $0.8 million the previous year. Comparable-store sales rose 3.6 percent.

Net income for 1990 increased to $33.6 million, compared with a loss of $6.8 million for 1989.

Net earnings increase 155% at Bindley Western Industries

INDIANAPOLIS — Bindley Western Industries announced record sales and earnings for the year ended Dec. 31.

Sales were up 31 percent, to $2.042 billion from $1.561 billion. Net earnings gained 155 percent, to $6.7 million from $2.6 million in 1989. The 1989 earnings contained a special charge of $2.980 million for a Revco account receivable writedown and a $523,000 charge relating to a settlement with the government. After adjustments, 1990 earnings exceeded 1989 earnings of $4.982 million by 34 percent.

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MARKET DIARY:

Largest Dollar Gainer	American Stores	$ 3.25
Largest Dollar Loser	Lilly Eli Co.	$– 8.00
Largest Percentage Gainer	Lee Pharmaceutical	20.00%
Largest Percentage Loser	ICN Pharmaceutical	–18.37%

Advances	21
Declines	32
Unchanged	4
New highs	26
New lows	0

	Close 3/5/91	Close 3/19/91	Net Change	Percent Change
Drug Store News Index	3929.06	3899.05	– 30.01	–0.76
Dow Jones Industrial Average	2972.52	2867.82	–104.70	–3.52
Standard & Poor's 500-Stock Index	376.72	366.59	– 10.13	–2.69
N.Y.S.E. Composite	205.74	200.66	– 5.08	–2.47
Value Line Index	222.00	231.03	– 9.03	4.07

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 3/5/91	Closing Price 3/19/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.50	6.75	0.25	3.85	26	0.00	0.00	7.56	4.50
OTC	Arbor Drugs	ARBR	24.00	24.50	0.50	2.08	20	0.20	0.82	24.50	13.25
OTC	Big B	BIGB	8.25	9.75	1.50	18.18	– 51	0.00	0.00	11.63	4.75
OTC	Drug Emporium	DEMP	8.13	8.88	0.75	9.23	14	0.12	1.35	11.00	6.25
NYS	Fay's Inc. (H)	FAY	11.00	11.50	0.50	4.55	14	0.20	1.74	11.88	7.25
ASE	Genovese Drug (H)	GDX.A	9.75	9.63	–0.13	– 1.28	12	0.24	2.49	10.38	5.50
NYS	Longs Drug Stores	LDG	36.13	38.88	2.75	7.61	13	1.04	2.68	43.63	30.88
OTC	Medicine Shoppe	MSII	25.00	23.25	–1.75	– 7.00	20	0.24	1.03	26.75	15.50
NYS	Perry Drug	PDS	6.38	6.38	0.00	0.00	– 64	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp. (H)	RAD	44.13	43.50	–0.63	– 1.42	17	1.00	2.30	44.25	29.50
NYS	Walgreen Co.	WAG	32.00	31.88	–0.13	– 0.39	22	0.44	1.38	32.88	20.63
Wholesaler's transactions											
ASE	Bergen Brunswig (H)	BBC	30.75	30.75	0.00	0.00	16	0.40	1.30	32.75	21.38
OTC	Bindley Western Ind.	BIND	17.13	15.88	–1.25	– 7.30	16	0.04	0.25	17.63	8.63
OTC	Cardinal Distribution	CDIC	34.75	34.00	–0.75	– 2.16	28	0.08	0.24	37.00	17.00
OTC	Durr-Fillauer (H)	DUFM	29.50	28.00	–1.50	– 5.08	21	0.24	0.86	30.50	16.00
ASE	Ketchum	KCH	2.25	2.50	0.25	11.11	– 4	0.00	0.00	2.75	1.25
NYS	McKesson Corp.	MCK	34.25	32.75	–1.50	– 4.38	15	1.60	4.89	38.38	26.88
ASE	Moore Medical	MMD	6.50	5.38	–1.13	–17.31	23	0.00	0.00	7.38	3.50
NYS	Owens & Minor (H)	OMI	18.00	18.25	0.25	1.39	18	0.24	1.32	19.00	10.75
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	45.63	47.50	1.88	4.11	21	1.00	2.11	49.25	31.38
NYS	American Home Products	AHP	57.63	56.00	–1.63	– 2.82	14	2.28	4.07	59.63	43.00
NYS	Baxter International (H)	BAX	32.00	30.88	–1.13	– 3.52	–221	0.72	2.33	33.25	20.50
OTC	Block Drugs Co. (H)	BLOCA	47.00	48.00	1.00	2.13	17	0.80	1.67	49.50	29.63
ASE	Bolar Pharmaceutical	BLR	6.25	5.63	–0.63	–10.00	– 5	0.00	0.00	9.38	1.88
NYS	Bristol-Myers Squibb (H)	BMY	77.50	74.00	–3.50	– 4.52	22	2.40	3.24	78.63	51.00
NYS	Carter-Wallace (H)	CAR	62.63	59.88	–2.75	– 4.39	17	0.92	1.54	63.38	44.88
ASE	Columbia Labs	COB	7.50	7.63	0.13	1.67	– 5	0.00	0.00	14.00	3.63
ASE	Forest Labs (H)	FRX	35.63	36.25	0.63	1.75	42	0.00	0.00	37.00	18.38
ASE	Halsey Drug	HDG	3.69	3.94	0.25	6.78	394	0.00	0.00	5.44	2.13
NYS	ICN Pharmaceutical	ICN	6.13	5.00	–1.13	–18.37	– 2	0.00	0.00	6.13	2.50
ASE	Lee Pharmaceutical	LPH	1.25	1.50	0.25	20.00	– 6	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition	PLI	11.13	11.50	0.38	3.37	10	0.00	0.00	12.63	6.75
NYS	Lilly Eli Co.	LLY	84.38	76.38	–8.00	– 9.48	20	2.00	2.62	90.38	61.13
NYS	Marion Labs	MKC	38.88	38.38	–0.50	– 1.29	22	0.80	2.08	39.63	21.00
NYS	Merck Co. (H)	MRK	104.00	101.50	–2.50	– 2.40	22	2.24	2.21	109.00	68.13
NYS	Mylan Labs	MYL	23.88	23.88	0.00	0.00	26	0.20	0.84	24.75	13.75
NYS	Par Pharmaceutical	PRX	5.25	4.75	–0.50	– 9.52	– 3	0.00	0.00	8.13	3.38
NYS	Pfizer Inc. (H)	PFE	107.25	100.63	–6.63	– 6.18	21	2.64	2.62	109.00	55.00
NYS	Rhone-Poulenc Rorer (H)	RPR	81.75	81.50	–0.25	– 0.31	–157	0.84	1.03	83.25	56.75
NYS	Schering Plough (H)	SGP	51.00	49.00	–2.00	– 3.92	20	1.12	2.29	52.25	38.50
NYS	Syntex Corp. (H)	SYN	78.13	74.38	–3.75	– 4.80	21	1.60	2.15	78.50	48.75
OTC	Taro-Vit Industries (H)	TAROF	3.38	3.75	0.38	11.11	– 63	0.00	0.00	3.88	0.88
NYS	Upjohn Co.	UPJ	45.00	43.38	–1.63	– 3.61	18	1.16	2.67	48.00	33.00
NYS	Warner-Lambert (H)	WLA	78.00	70.75	–7.25	– 9.29	20	1.76	2.49	82.25	50.50
OTC	Zenith Labs	ZENL	6.50	7.00	0.50	7.69	– 1	0.00	0.00	9.50	3.75
Other retailer transactions											
NYS	Albertson's (H)	ABS	42.00	42.00	0.00	0.00	24	0.56	1.33	42.88	26.75
NYS	American Stores (H)	ASC	79.25	82.50	3.25	4.10	16	1.12	1.36	82.50	42.63
NYS	Giant Food (H)	GFS.A	31.00	29.00	–2.00	– 6.45	15	0.60	2.07	31.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	53.38	54.00	0.63	1.17	14	0.80	1.48	59.63	37.75
NYS	Kmart (H)	KM	38.63	38.88	0.25	0.65	10	1.72	4.42	41.50	23.38
NYS	Kroger (H)	KR	22.25	21.00	–1.25	– 5.62	22	0.00	0.00	22.50	10.63
NYS	Melville Corp.	MES	49.88	49.00	–0.88	– 1.75	14	1.44	2.94	57.75	32.75
OTC	Fred Meyer	MEYR	16.00	16.75	0.75	4.69	12	0.00	0.00	18.25	10.00
NYS	Penney, JC	JCP	56.38	51.63	–4.75	– 8.43	11	2.64	5.11	70.88	37.38
NYS	Safeway (H)	SWY	18.88	18.13	–0.75	– 3.97	20	0.00	0.00	19.75	10.25
NYS	Smith's Food & Drug (H)	SFD	40.00	38.75	–1.25	– 3.13	28	0.36	0.93	41.00	24.75
NYS	Wal-Mart	WMT	37.00	36.75	–0.25	– 0.68	33	0.16	0.44	38.13	22.88

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

The newspaper of drug store retailing
April 22, 1991

DRUG STORE NEWS®

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A Lebhar-Friedman publication

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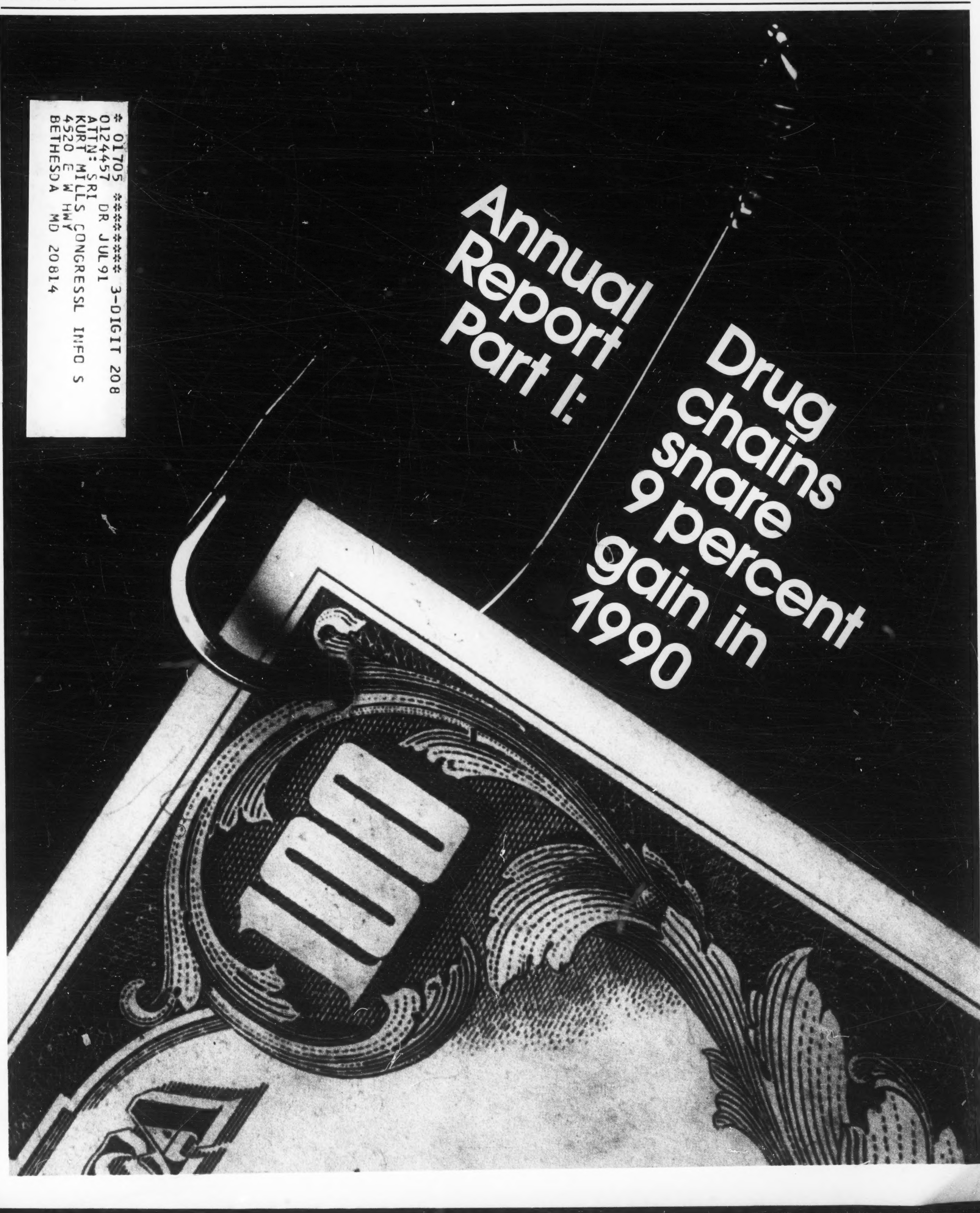


Annual Report Part I: Drug chains share 9 percent gain in 1990

The newspaper of drug store retailing April 22, 1991

DRUG STORE NEWS

Vol. 13 No. 8 A Lebhar-Friedman publication

LATE NEWS

- **WOONSOCKET, R.I. — CVS named Frank Hall, director of pharmacy acquisitions, its vp-acquisitions, responsible for store and pharmacy file acquisitions and store divestitures for CVS and Peoples.**
- **SHIREMANSTOWN, Pa. — Rite Aid filed with the SEC a proposed offering of 4.75 million common shares, with proceeds for corporate purposes.**

FEATURES

Rx Place opens first on L.I.

The first Rx Place on Long Island opened with a carefully orchestrated variation on deep discounting. **Page 33.**

Drug stores get back to basics

Read how drug stores, led by pharmacy, are becoming fashionable again as formats for the masses. **Page 6.**

Pay Less drives east with Osco buy

By James Frederick

WILSONVILLE, Ore. — Pay Less Drug Stores is making a major push eastward with its planned purchase of 51 Osco units from American Drug Stores. The acquisition, expected to be made final within a month, will give Pay Less a formidable entree into two major new markets—Denver and Salt Lake City—and its first presence in the states of Utah and Wyoming.

(American agrees to sell Alpha Betas in Calif., see pg. 5.)

Pay Less benefits as American downsizes. Pay Less takeover of 51 stores will move the chain into Denver and Salt Lake City. By fiscal year-end Pay Less will operate about 408 stores.

"We are very pleased with this agreement," said Tim McAlear, Pay Less president and ceo. "It affords us the opportunity to enter two new markets with a significant presence from the beginning . . . [and] fits into our overall strategic plan of being a major West Coast regional drug chain."

The acquisition also complements the chain's already aggressive growth plans for 1991, which call for the addition of another 38 new stores and remodeling of 20 others. "All of this activity will bring the Pay Less store count to approximately 408 stores by the end of this fiscal year," said McAlear, "with sales of approximately $2 billion."

By contrast, the sale marks the continued downsizing of Salt Lake City-based American's massive debt load, which reached as high as $3.5 billion after its purchase of Lucky

See **Pay Less** *page 115*

NACDS theme: alliances top business priority

PALM BEACH, Fla. — Chain drug store executives heading to the NACDS Annual Meeting report that this year's theme—Alliance & Progress—is right on target with their business plans. The annual event kicks off April 27 and runs through May 1 at NACDS' "second home," the Breakers Hotel here.

(See events calendar pg. 8.)

Alliances, retailers said, will be the most important business tools in the decade. "The benefits of alliances," explained Rosabeth Moss Kanter, editor of the *Harvard Business Review* and a keynote speaker during the business program, "is alliances allow you to capitalize on the strengths of both parties concerned."

Added Vern Brunner, executive vp-marketing for Walgreens, "Alliance building is important for the '90s and it's time for us to meet face to face, not fax to fax."

There will be plenty of face-to-face interaction during the five-day event. More than 2,300 retailers, manufacturers and spouses are regis

See **NACDS** *page 115*

Fiscal 1991: A very good year for Rite Aid

By Susan Ball

SHIREMANSTOWN, Pa. — Fiscal 1991 was an exceptional year for Rite Aid Corp., in both human and business terms.

The chain and its president, Martin Grass, fought and won a nightmarish bribery case against them and reached successful settlement of the civil defamation suit Rite Aid brought against its original accuser.

Rite Aid commits to SASI, pg. 115

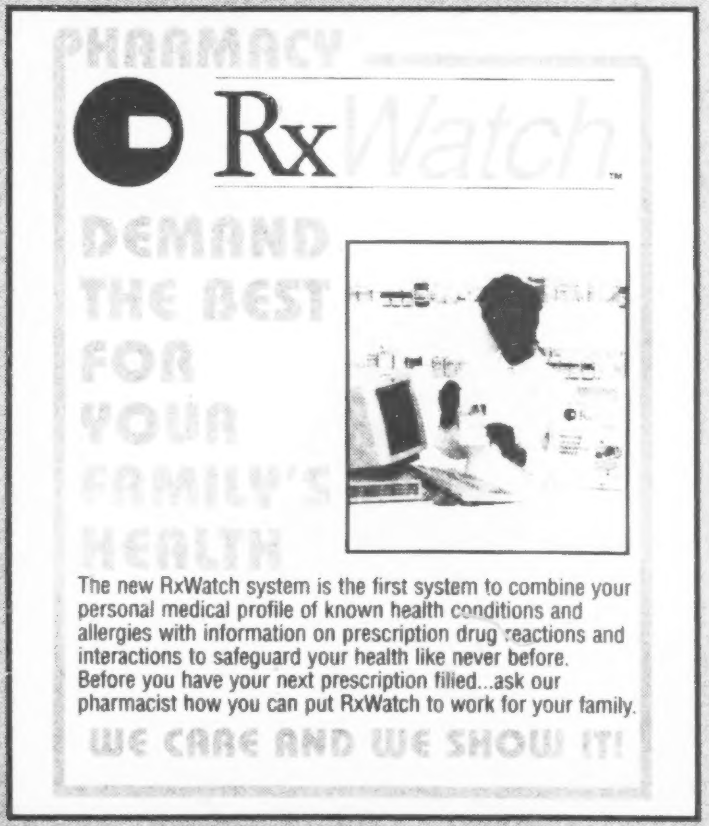
And its fiscal 1991 results, reported this month, include strong sales and earnings gains bearing out chairman Alex Grass's steadfast position that the legal ordeal "had no effect on our business."

Of particular significance was Rite Aid's gain of 7.3 percent in comparable-store sales for the year—the same increase it posted for fiscal 1987, before it embarked on a series of major acquisitions that included more than 700 stores over a three-year period.

See **Rite Aid** *page 115*

HSI Rx computer goes a step beyond

PAWTUCKET, R.I. — The three Hook-SupeRx divisions—Hook, Brooks and SupeRx—are using a new pharmacy computer system, RxWatch, that combines patients' medical profiles with information on drug reactions and interactions.



PHARMACY
Rx Watch™
DEMAND THE BEST FOR YOUR FAMILY'S HEALTH

The new RxWatch system is the first system to combine your personal medical profile of known health conditions and allergies with information on prescription drug reactions and interactions to safeguard your health like never before. Before you have your next prescription filled...ask our pharmacist how you can put RxWatch to work for your family.

WE CARE AND WE SHOW IT!

The latter two have recently begun advertising the system: SupeRx under the slogan, "Demand the best for your family's health. . . we care and we show it!" Brooks under the slogan: "Before it goes into your system, it goes into our system."

Going a step further than many other drug chains with different pharmacy systems, Brooks is making its central database of customer profiles available to emergency medical personnel through a 24-hour 800 number, a source told *Drug Store News*. RxWatch users receive an "Emergency Information Card" which medical personal use to access the data base.

Noting that Brooks screens for 59 health conditions and 99 drug allergies, the source said "the main purpose for this is to provide patients with enhanced health care. It opens many avenues for consultation with the patient and physicians on the patient's condition."

HSI executives were unavailable to comment on the system at press time.

HSI is using the software

See **Hook-SupeRx** *page 113*

Drug Store News
Box 3116, Grand Central Station, New York, N.Y. 10164-0659

SECOND CLASS

NEWS IN BRIEF

Drug Emporium to buy Cincy franchise

COLUMBUS, Ohio — Drug Emporium said it has signed a letter of intent to buy the remaining 45 percent of its nine-store Cincinnati-Dayton franchise. Current store management will continue to direct operations, said Gary Wilber, ceo.

Drug Emporium will issue about 1,100,000 shares of common stock to buy the business. The deal is subject to approval of the shareholders of Cincinnati Drug Distributors, Inc., the franchisee.

Also, Drug Emporium said it opened five new stores in March in the Washington, D.C.- Baltimore market, making 17. Wilber said plans are for ten more in the region by year's end.

Super Valu earmarks $121M for Cubs

MINNEAPOLIS — Super Valu Stores has earmarked $121.2 million, or 28 percent of its $434 million capital budget for 1991, for construction of two corporate Cub Foods stores, in St. Joseph, Mo., and Apple Valley, Minn. Four franchise Cubs are also scheduled to open this year. Funds are also budgeted for 10 major remodels of cororate Cub units.

Shopko, Super Valu's 104-store discount mass merchandiser, will be allocated $136 million, or 31 percent of the capital budget, for openings of five new stores and relocations of two units, plus land acquisition.

Cardinal files for public stock offering

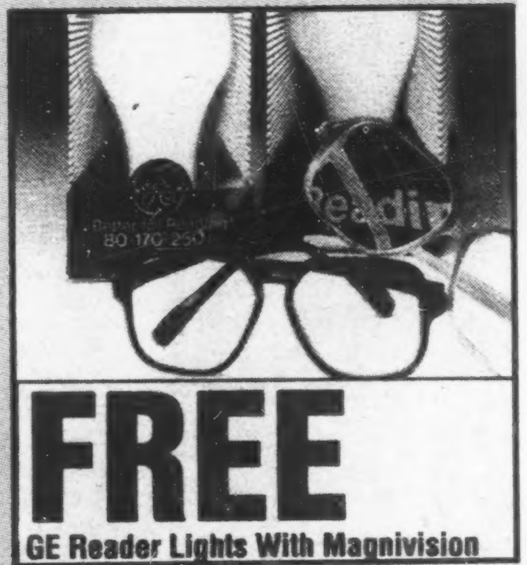
DUBLIN, Ohio — Cardinal Distribution said it filed a Registration Statement with the Securities and Exchange Commission for a public offering of 1.4 million common shares. The wholesaler also granted the underwriters for the offering an option, exercisable within 30 days of the original issuance, to purchase up to 210,000 additional common shares to cover over-allotments.

Underwriters are Smith Barney, Harris Upham, Dean Witter Reynolds, A.G. Edwards & Sons and William Blair & Co.

In other matters Cardinal Distribution has named Gerald W. Medlin to the new position of vp-hospital sales and marketing. Medlin will be responsible for overall sales and marketing for hospital, institutional and other managed care sales, companywide, and will help develop new programs. He will also continue development and marketing of AccuNet, Cardinal's purchasing and inventory management software system for hospital and institutional customers.

Medlin was previously regional president of managed health care for Alco Health Services.

SupeRx offers free pair of reader lights



In an unusual promotion, SupeRx this month offered shoppers two free General Electric Reader Lights for buying a $14-or-more pair of Magnivision reading glasses.

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NII stops FoxMeyer bidding; appoints two co-chairmen

"Our turnaround has been a tremendous success," said Bob King (left), FoxMeyer's president. At NWDA's marketing show in New Orleans, he chatted with Tom Simone and Joe Polastri of McKesson.

By Elizabeth Richardson

PITTSBURGH — National Intergroup, Inc. took its subsidiary, FoxMeyer Drug Company, off the auction block last month after bidders failed to meet NII's price.

Meanwhile, National Intergroup officials continued their plan to consolidate NII and FoxMeyer at FoxMeyer's Dallas headquarters. As part of that plan, agreed upon last summer, NII appointed Abbey Butler and Melvyn Estrin as co-chairmen of the Board of Directors.

Robert King, currently president and ceo of FoxMeyer, has been named president and ceo of the corporate entity, which will be called FoxMeyer Corp.

During a proxy fight last summer with Centaur Partners, NII had placed the wholesale drug company on the market for a reported $425 million. Interest was widespread in the wholesale drug industry. Reportedly among the potential suitors: Bergen Brunswig. But analysts were quick to point out that such a transaction could have posed antitrust problems.

Other bids did not reflect the company's true worth, said NII officials.

"While we received several bids for this business, they did not reflect the operating potential of the company or the significant positive developments taking place in FoxMeyer's markets and industry," said Butler and Estrin in a company statement.

FoxMeyer's net sales increased 21.2 percent in its most recent quarter, ended December 31, due mainly to additional volume from chain store accounts and strong institutional sales. Higher gross profit margins and improvements in controlling operating expenses resulted in a 71.4 percent increase in operating income, to $12 million in the current quarter from $7 million in 1989.

"Our turnaround has been a tremendous success," King told *Drug Store News*. "Through the first three quarters of this fiscal year, we recorded double-digit increases in sales and operating income. This latest development means we will be able to complete our turnaround and continue to deliver strong returns on investment to our shareholders."

McKesson names two operations vps

By Susan Ball

SAN FRANCISCO — Following on the heels of Thomas Simone's appointment as president of McKesson Drug, succeeding Joe Polastri, the giant drug wholesaler has named Hank Wilde, 57, to the newly created position of executive vp-operations.

With these appointments, and the naming of Hubie McMorrow to succeed Wilde as senior vp-operations for the West, McKesson Drug is poised to floor the accelerator on customer service and quality. McMorrow was president of Rawson Drug & Sundry Co., part of McKesson Corp.'s Service Merchandising division.

Since the first of the year, Simone and Wilde have traversed the country, visiting regional staff, distribution centers and customers to gain input on field operations. (Wilde, for example, has traveled on 33 planes, and Simone has spent 75 percent of his time in the field since January.)

The upshot: "We will be working to forge a close, alliance relationship with suppliers and customers, including chain, independent and hospital customers," said Simone.

Toward that end, he continued, McKesson plans to build up its marketing organization and is in the process of recruiting for two new positions, vp-chain marketing and vp-hospital marketing, to develop tailored marketing programs for customers, Simone explained.

The company already has in place strong programs for its 3,300 Valu-Rite and independent customers, he noted.

"The input I'm getting is that we need to do better in communicating with customers and putting together a dedicated customer service component," he added, "so that when a customer calls a DC, for example, he won't be transferred around; one customer service representative will take care of him."

McKesson also has under way new quality-oriented measures, including a customer-satisfaction survey, to see that ordering and delivery are being done error-free, and an employee attitude survey. The findings of these programs, which will be done periodically, will be used to improve quality and service.

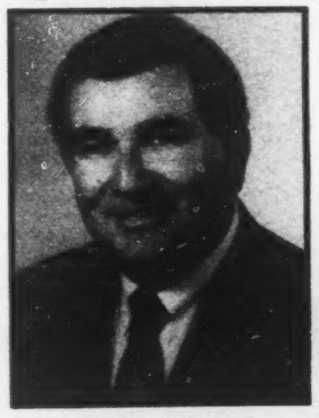
Both Simone and Wilde are longtime McKesson executives; Simone joined McKesson Drug in 1973 [*see* Drug Store News *March 4 issue]*, and Wilde started his career at McKesson 30 years ago as a credit manager trainee.

Wilde has held various sales and management positions, and was regional vp for the Midwest for six years before moving to the senior vp-operations West position last May.

Both have seen and helped the company make the transition from a manual, decentralized operation to a computerized, consolidated network. From about 110 distribution centers 20 years ago, they noted, McKesson now operates 45 DCs, with five new, larger facilities under construction to replace older DCs. The new St. Louis facility is already up and running on an automated picking system that is handling about 70 percent of pharmaceuticals.

Of the DC consolidation,

continued on page 113



Hubie McMorrow

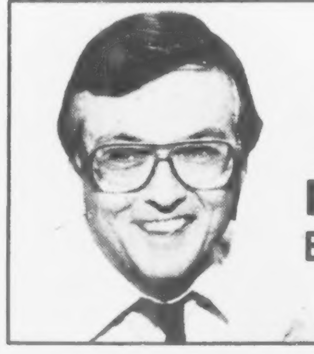
Hank Wilde

OPINION

Providing basic needs equals stability

The chain drug report card is in for 1990: Not an "A" year, by any means, but certainly a strong B.

Considering the economic climate, chain drug stores fared well. Sales rose 9 percent to $44.3 billion, and chains increased their share of overall drug store sales to 62 percent. The results showed once again that providing basic consumer needs, especially in health care, confers stability even in recessionary times.



IN THE MARKET
BRUCE BUCKLEY

Not surprisingly the strongest gains were achieved in the core drug store categories, where chains have put the heaviest emphasis. Leading the charge, of course, was pharmacy. Chain prescription departments racked up a 14.4 percent increase, and the price of the average script rose more than $2 to $17.61.

Most of pharmacy's sales gain resulted from the increase in pharmaceutical prices. But there were some unit increases as well, as chains led with a strategy built around heavy health care promotion. Under pressure from supermarket and mass market retailers, the chains took a page from the independents and promoted themselves as neighborhood pharmacies and their pharmacists as trusted community resources. Meanwhile they used increasingly sophisticated computer technology to improve patient service and information and bolster their success in the ever-growing third-party arena.

While pharmacy was the class over-achiever, other pivotal departments were no slouches either. Strong to medium advances were registered in OTC drugs, toiletries, cosmetics, photo and stationery. Less productive were the general merchandise categories. Significantly, consumable categories—particularly candy and high-demand grocery products—had a good year. Chains used their convenient locations to siphon off dollars from food stores. Turnabout is fair play, the chains seemed to say.

In 1991 the economic signals remain mixed, but drug stores for the most part continue to stand up well.

* * *

Often we're asked how we compile our annual industry reports, particularly how we come by all of those numbers that we publish each year. The quick answer is that there is no single information mother-lode. The data is collected over several months from various sources, including surveys that we mail and fax to chains; interviews that we conduct with chain buyers and manufacturers; articles that we've run in the past year; the database maintained by Lebhar-Friedman's *Chain Store Guides;* and, not least, marketing research companies like Nielsen and Towne-Oller.

The information is gathered and analyzed and a reasonable consensus is reached for each of the dozens of individual product subcategories that make up our 20-year-old category database. The increases (or decreases) have to fit like puzzle pieces within a known picture; that picture being the actual overall gain in chain drug sales as provided to us by A.C. Nielsen.

The result is the annual report that you're holding in your hands right now. Next issue we'll report on the individual performances of companies in the industry.

Drug stores' affordable format fits the '90s

The nation's middle class, buffeted by economic winds of hot air, wants to descend from the blistering mast and enjoy life's ride. Put in real terms, people who are used to working 60 hours a week or more to make ends meet look around and see friends who've done the same fall victim to cutbacks.

The '80s were a breathtaking era of consumption. The '90s will be a time when people make more basic choices instead: fresh air, family, less glitz, more spirit.

THE HUMAN SIDE
AL HELLER

One can tick off the reasons for this mammoth shift of consumer attitudes: higher unemployment, the fall in housing prices, mountainous debt, the unmasking of Donald Trump and Michael Milken and the values they represented, and even Operation Desert Storm bringing Americans together toward a higher purpose.

How hard will people run to stay in the same place? I think they'll make different choices—and retailers will have to live with them.

Indeed, luxury car dealers and department store operators have wailed a lot the past year—but all that will help them is changing the way they conduct business if they want to be around when we roll into the *next* decade.

Drug chains, for their part, should benefit by this back-to-basics move. If people give up their Rolexes, they may buy Timexes. If people spend more time together as families, that bodes well for photofinishing volume. If people decide that Cuisinarts and Krups are too costly, they'll opt for Oskar.

And so on, in virtually every category sold by drug chains, which rarely dared to venture beyond middle-class price points for fear they'd lose their customer base.

It was nearly a decade ago when drug chains, looking to broaden their appeal, began experimenting with far-afield formats and product mixes. In search of customers, some operators lost sense of their primary reason for being—and suffered economically for that miscalculation. Most of those tests were short-lived, and by the late '80s the refocus on core health and beauty care categories was well under way.

Today, as drug chains are where they should be—intent on building core business—consumers may be looking to them as one more expression of rediscovered old-fashioned values.

Few frills, no pretense, proven brands at affordable prices. And consultation at the pharmacy—the real backbone of drug stores' image. After all, people will value themselves more and pay greater attention to their personal health care needs during the *we* decade of the '90s.

Drug stores, led by the pharmacies, are formats for the masses, and suddenly that's become fashionable again.

Letters to the editor

Dear Editor:

Much has been written and said about the pharmacist's role in counseling patients about their prescriptions, drug profiles, contraindications, and other aspects of therapy.

On the front page of the March 18, 1991 issue of Drug Store News is a photograph and article describing the marvels of Walgreen's new drive-up pharmacy window.

My question is simply, how does a pharmacist effectively counsel a patient who is sitting outside in their automobile? Are we now being reduced to dispensing "McPrescriptions"?

Thomas J. Nicholson, R.Ph.

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Dearth of new blockbuster HBA products in 1990

Has been impeding growth in drug stores

By Alan Miller

The 57 health and beauty aids categories tracked by Arbitron/SAMI generated just over $8.6 billion at drug stores during the 52 weeks ending December 28, 1990. This was a two-percent rise for the year; insufficient to compensate for inflation or product mix upgrading in a number of categories.

On a unit basis, a three percent annual decline occurred. And during 1990's final 12 weeks, units fell 4.4 percent and the dollar gain was only one percent.

A major reason for the modest dollar growth: the absence of high volume, innovative new products in 1990. Only 20 new brands with the power to produce annual drug store sales of $1 million-plus launched during the year. These brands are identified in the accompanying table, ranked according to their volume during the final 12 weeks of the year (in order to erase the volume level bias for brands introduced early in the year in comparison with those launched in the waning weeks of 1990).

Sales over $2 million

Only three new brands showed 12-week drug store sales above $2 million: Vidal Sassoon Ultra Care shampoo, Dimetapp cough remedy, and Lotrimin Athlete's Foot remedy. Two more new brands enjoyed 12-week sales of more than $1 million: Medi-Flu cold remedy, and Degree stick antiperspirant. Oil of Olay face lotion logged in at $952,000 during the year-end span. Nine of the new brands had 12-week dollar shares below 1 percent.

It should be pointed out that the tabulations presented do not include line extensions, such as Excedrin Aspirin Prep or Arm & Hammer Dental Care gel, which may be regarded by some marketers as new products. Also, the list of the most important new brands doesn't include candidates in such high volume product categories as toothpaste and powder, internal analgesics, or hand and body creams and lotions, which are generally rich in new products.

Lack of innovation

Another reason for HBA's limited growth: the lack of innovation in packaging, ingredients, formulation or creative direction, which often spawn competitive imitations or "me-too" activity which can be counted on to expand category sizes.

In addition to entirely new brands which appeared in 1990, there were also a number of brands which rolled-out into new markets during the year. Here again, the ranking shown is based on year-end 12-week volume, rather than the annual level, since the distribution expansion among these brands took place at different times during the year.

High volume sellers

By far, the most important roll-out brand was Gillette's Sensor razor sets and blades which had some sales late in 1989, but were launched full scale in the first quarter of 1990. This new product was so well received by trade and consumers alike that out-of-stocks prevailed for several months until supplies could catch up with demand.

At the end of the year, Gillette Sensor was by far the dominant brand in the category; its 12-week drug stores volume of $9.4 million was more than twice that of the No. 2 brand in the category, Gillette's own Good News Disposable. Four other HBA brands substantially increased distribution with 12-week movement in excess of $900,000. Eucalyptamint ($2.4 million), Replens Lubricant ($1.2 million), Clearplan Home Testing Kit ($0.9 million), and Bain de Soleil suntan items ($0.9 million). There were three more suntan lotion/oil brands on the roll-out list: Shade, Zinka, and For Faces Only (fourth quarter sales in this highly seasonal category are vastly understated in relation to its potential peak season performance).

Three brands in the high-ranking roll-out list are represented in more than one category of hair care needs: Vital Care (hair setting needs and hair conditioner and rinse), La Coupe (hair spray and hair conditioner and rinse), and Revlon International (both shampoo and hair conditioner and rinse).

Generally, categories that enjoyed the highest annual percentage gains in drug stores nationally are those with new or roll-out activity sufficient enough to expand volume rather than cannibalize sales of established brands. The highest: feminine hygiene deodorants at 49.2 percent.

Other big sellers

During the year, Yeast Gard became the No. 1 brand. It isn't listed in the roll-out table since it was national in the 12-week interval of both 1989 and 1990 although not fully national for the entire two-year period. Annual dollar volume in personal lubricants was enhanced by the national roll-out of Replens, which joined K-Y as a million dollar brand, and achieved a 27.6 percent share during the final 12 weeks of 1990.

Annual drug store sales of external analgesics were 21.3 percent ahead of the year-ago annual level, primarily attributable to the distribution expansion of Eucalyptamint and Flex-All 454. Sales of home testing kits were helped by the addition of new markets for American Home Products' Clearplan, and Lotrimin Athlete's Foot remedy helped to provide a 10.9 percent growth rate in dollars.

In past years, new HBA items could be counted on to snare a high percentage of overall HBA volume. In 1990, however, blockbusters were few and far between.

HBA roll-out brands during 1990 with highest 12-week dollar volume in drug stores

(Period ended December 28, 1990)

Brand	Category	12-week dollar volume (in thousands)	12-week dollar share
Gillette Sensor	Razors and blades	$ 9,423	18.5%
Eucalyptamint	External analgesics	2,379	10.4
Replens	Personal lubricants	1,227	27.6
Clearplan	Home testing kits	993	4.0
Bain de Soleil	Suntan lotion/oil	913	10.8
Vital Care	Hair setting needs	778	3.3
Gold Bond	Foot deodorants and athlete's foot remedies	588	3.5
Beyond	Contraceptives	496	1.2
No Sweat	Stick deodorants	471	1.3
La Coupe	Hair spray	316	0.6
Revlon International	Shampoo	302	0.4
Vital Care	Hair conditioner and rinse	298	0.8
La Coupe	Hair setting needs	289	1.2
Shade	Suntan lotion-suntan oil	252	3.0
Revlon International	Hair conditioner & rinse	206	0.5
No Sweat	Roll-on deodorants	197	1.1
Zinka	Suntan lotion/oil	83	1.0
For Faces Only	Suntan lotion/oil	63	0.8

Source: SAMI

HBA categories with fastest dollar declines in drug stores in 1990

(52 weeks ended December 28, 1990)

Category	Percentage dollar decline vs. year ago	Percentage change in units
Appetite suppressants	−20.8%	−20.2%
Deodorant talcum powders	−13.1	−26.5
Home permanent kits	−12.9	−12.9
Pre-shave lotions	− 8.3	− 9.8
Mouthwash	− 6.8	−11.5
Aftershave lotions	− 6.6	− 8.4
Cream deodorants	− 6.1	−13.0
Hair spray	− 5.1	− 6.0
Infant clothes	− 4.7	− 9.6
Spray deodorants	− 4.5	− 7.8

Source: SAMI

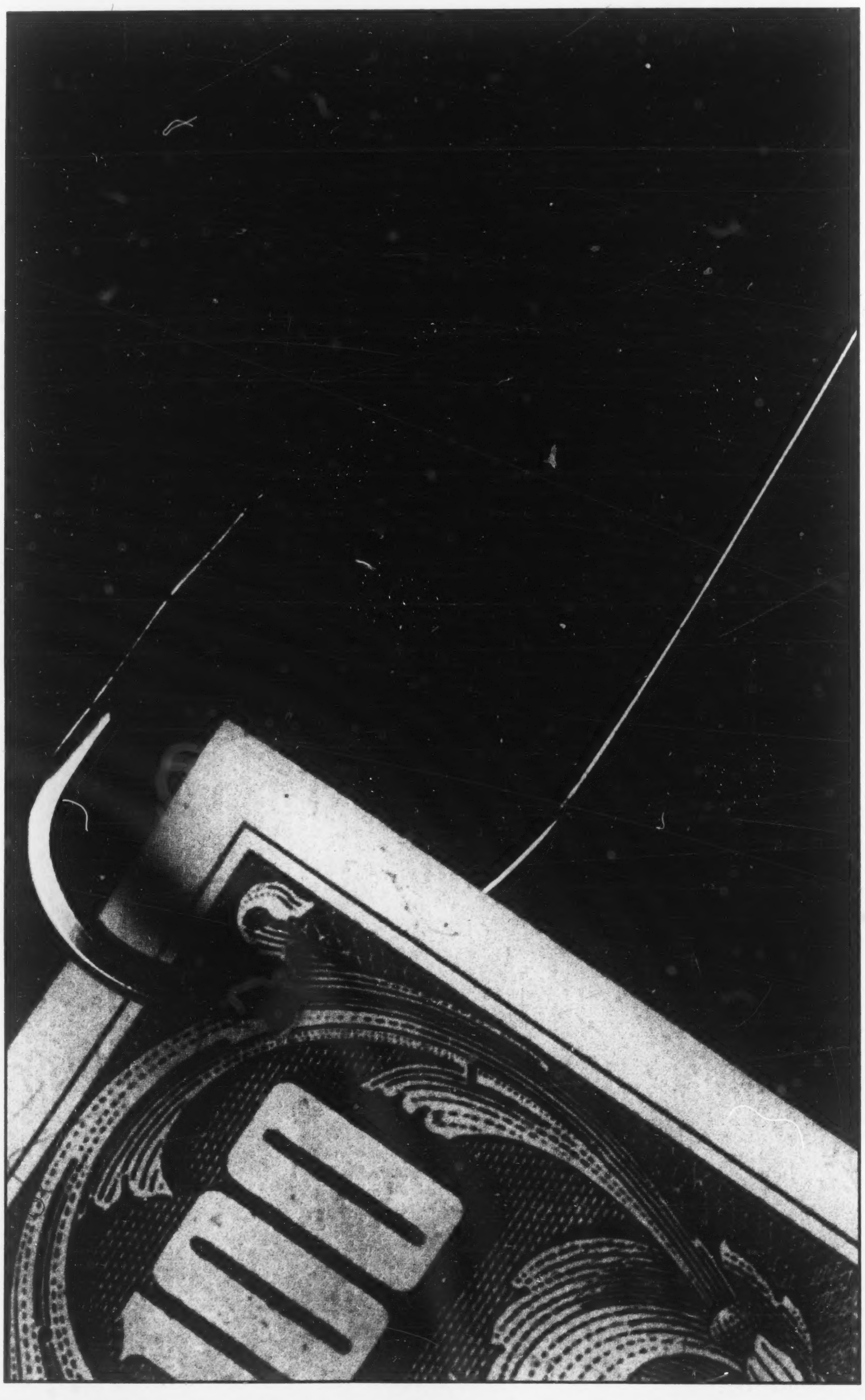
New HBA brands with highest dollar volume in drug stores

(52 weeks ended December 28, 1990)

Brand	Category	12-week dollar volume (in thousands)	12-week dollar share
Vidal Sassoon Ultra Care	Shampoo	$2,617	3.4%
Dimetapp	Cough remedies	2,396	2.1
Lotrimin	Foot deod. & athlete's foot remedies	2,390	14.2
Medi Flu	Cold remedies	1,397	0.7
Degree	Stick deodorants	1,087	3.0
Oil of Olay	Facial preparations	952	2.1
Ocuvite	Nat. vit., min. supplements	778	1.6
L'Oréal Colorvive	Hair conditioners & rinses	695	1.8
Revlon Flex & Go	Shampoo	597	0.8
Degree	Spray deodorants	549	3.0
L'Oréal Colorvive	Shampoo	517	0.7
Degree	Roll-on deodorants	511	2.9
Fisher Price	Shampoo	348	0.4
Sominex Dosage I	Sleeping aids	299	2.9
Caladryl	First aid antiseptics	185	0.5
Jovan Actives	Aftershave lotions	178	0.8
Ninja Turtle Bandages	First aid products	151	0.3
Sesame Street Bandages	First aid products	140	0.3
Jovan Actives	Stick deodorants	133	0.4
Almay	Suntan lotion-suntan oil	54	0.6

Source: SAMI

Convenience, community challenge retailers in the 90s



Last year, American Stores president and chief operating officer Alan Stewart asked his division heads to think about what retailing would be like in the 1990s. He got an earful.

The company presidents, Stewart said, came up with a list of six major themes that were likely to dominate retailing in the coming decade. Indeed, every one of the market forces they named is already having a profound effect on the way drug, supermarket and general merchandise retailers do business.

Most chain drug retailers can guess what they came up with, and could probably add one or two more themes of their own. Stewart came up with these:

- The impact of the environmental movement on manufacturing, marketing and merchandising.
- The search for shopping ease and convenience by time-strapped households with two wage earners.
- The application of retail technology to product distribution, purchasing and merchandising.
- The health and wellness of the labor force (not to mention the availability of enough entry-level clerks and pharmacists).
- The aging of the population, with all that that entails for suppliers of prescription drugs, home health care products, cosmetics and fragrances, etc.
- Increasing involvement by retailers in their own communities.

To that, we could add a few more: the increasing fragmentation and complexity of the consumer base; the growth of the Hispanic, African-American and Asian populations; the increasing shift away from mass advertising and marketing in favor of target marketing and locally tailored stores; the use of POS information and store-level technology to push decision-making down to store level; overstored conditions in many markets; and the growing partnership between retailer and supplier.

Plenty of choices

One thing is clear: in the 1990s, consumers will have plenty of choices about where to buy prescription drugs, HBA, greeting cards, stationery and a slew of other products that define the core of drug store retailing.

Meanwhile, today's consumer is "a mass of contradictions" in the words of one retail analyst, and "sentimental, romantic, and anxious to make his life a little more comfortable," in the words of another, Walter F. Loeb of Loeb Associates.

To compete, drug chains will need an array of strengths: better purchasing and distribution systems; a motivated workforce; a responsive buying department and merchandise mix; a solid capital base; and a strong health- and beauty-care image. What's more, they'll have to practically enshrine the concept of convenience in the 1990s.

Convenient and dependable

"We believe the retailer that wastes consumers' time in the '90s is committing competitive suicide," noted Walgreen president Dan Jorndt recently. "We should simply be there—in convenient, neighborhood locations, taking care of purchases easily and dependably."

Adds his boss, chairman Charles R. Walgreen III, "Retailing is going to change a lot by the year 2000. The days when retail giants like Sears, Kmart or J.C. Penney—or Walgreens—could open a store, stock the shelves, offer decent prices and wait for the customers to roll in are gone forever. In their place, we have the complexity, sophistication and competition that characterize modern retailing."

So begins *Drug Store News'* annual coverage of the $67.8 billion drug store industry. In Part I, we look at the merchandise mix that "brought us to the party" and how it performed in 1990, as well as some of the marketing and display programs employed by drug, combo and off-price chains to move that mix. In Part II we look at the chain drug players themselves, from national giants like Walgreens to tough regional competitors like Arbor Drugs and Big B.

Here's to a successful year.

Executives confront future industry challenges

Martin Grass, president,chief operating officer, Rite Aid

Drug store chains are in a unique position to shape the future of pharmacy service in America.

That is because together, we have led the progressive move toward total store computerization, enabling us to serve our stores, employees and customers better and faster than before. Computers linked to corporate host systems have shortened the distance between stores and headquarters, making it easier for us to keep abreast of trends in the often diverse markets in which we operate.

Perhaps more important is the effect the technological revolution in drug stores has had on customer service at the local level.

A case in point is the pharmacist who now can answer a customer's questions about her third party claim, provide a synopsis of her patient's file or call her doctor to approve a generic equivalent when the computer indicates a brand name is not covered under the patient's plan. All of this can be accomplished within seconds through a few quick taps on the keyboard.

The current economic trends are in our favor. The graying of America and the boom in third party coverage for prescription plans has opened up a wealth of new opportunities for all pharmacies.

And yet, we must continue to develop better tools than those already in place if we are to remain leaders in pharmacy patient care for the 1990s.

At the same time, we must never lose touch with our most important resource for providing better customer service—our employees.

We must harness the talents of store associates and invite them to be equal partners in our success.

The cashier, the store manager and the pharmacist who can greet their customers by name, are in excellent position to put new corporate strategies into place and mold the reputation of chain stores as responsive members in the community.

James Adamson, executive vp-marketing, Revco

The challenge we have today in drug store marketing is the challenge of choice; that is, the significant level of choice enjoyed by our customers, and how we will respond. Today's customers have more retail and pharmacy outlets to choose from, more products to select, and more social attitudes influencing what they do choose.

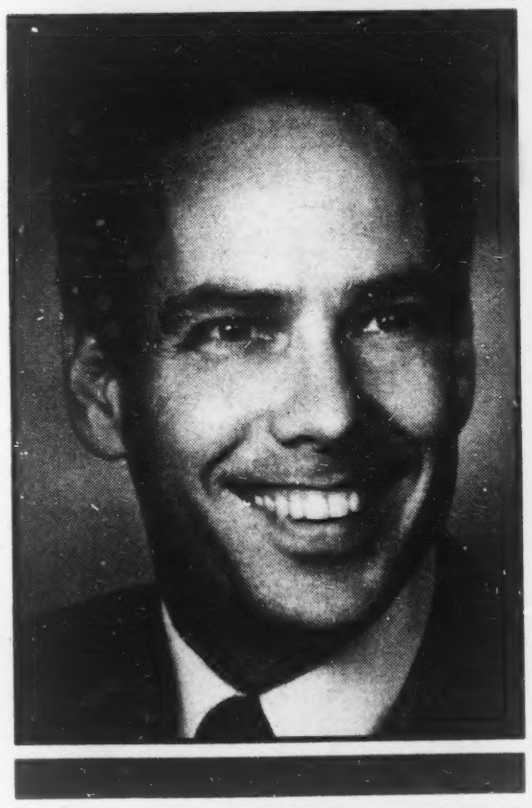
The challenge for consumers is to choose well. The challenge for us is to know how much of that choice-happy group we can call our own.

The saturation point being reached by retail outlets in many of the major markets means that marketers must learn how to creatively target and develop markets, rather than just swallow as many as possible.

There is the challenge of being information-based merchants. Today, good gut-level marketing requires very good information systems. Faster cash registers are not enough. Our systems, whether point-of-sale or pharmacy, must deliver the buying information we need.

We in the industry are consumed with the details of a very competitive business: formats, markets, planograms, promotions—the list goes on. The people most important to us want just the opposite. Our customers want more convenience, less confusion and more consistency. Can we make the choice easier for them? Yes. In marketing to these consumers, whether senior citizens or younger parents, the pharmacy is the key to simplifying the message.

We also must be able to sort out what our customers will pay for and what they are willing only to talk about. While people are more aware and even active regarding social issues, it remains to be seen whether they will choose to buy in support of those attitudes.



Lance Clark, vp-marketing, K&B

In last year's annual report, we in the chain drug industry were talking about the '90s as a decade affected by the shift in the median age of our population and to a more convenience-driven consumer . . . one where the value of full selection and service, easy and accessible shopping plays as vital a role as price in where and what a consumer will buy. These dynamic forces will continue to exert a strong influence on our industry for many years to come.

In the '80s we found that focusing on our core business like HBA, candy, cosmetics and the like allowed us to successfully compete with food and mass. As we evolve into the 1990s, I see our trade class moving toward niche marketing. For years the term niche marketing was the domain of the manufacturer who developed and launched products selectively to meet the needs of a particular population segment. Today, technological advances in the area of point-of-sale, automatic replenishment systems and the growth of the information processing services allow the retailer who chooses to commit the resources an incredibly detailed snapshot of the different consumer segments that impact his stores.

The strength of mass merchandisers has long since been their cookie-cutter approach to marketing and operating their stores. They have forced us to become better merchants and standardize our own operations in order to survive. But the drug store still remains a bastion of individuality—with a uniqueness in product offering and services that is very attractive to today's time-conscious consumer.

How well we exploit this opportunity and differentiate ourselves from other trade classes will depend largely on how successful we are in marketing ourselves to each customer segment—be they black, hispanic, the elderly, blue collar or the emerging family. By the end of this decade, I expect it will be standard in our industry to custom-fit each store's adjacency and product mix to the unique demographics of the neighborhood from which it draws.

The tools now emerging in the area of planogramming and selective target marketing should provide the systems to manage this process without decentralizing many of the functions a chain needs to control in order to compete effectively.

Eventually, I expect our trade class will reduce its dependence upon conventional newspaper advertising and begin to move into consumer-specific marketing—utilizing specific mailing lists for limited distribution to specific demographic niches rather than saturating a market with millions of circulars.

This coming decade, like the one preceding it, will mark the success of retailers who service their customer best and the failure of those who don't . . . with the tools offered up by technology to accomplish this goal outstripping our capacity to effectively utilize them. This will remain one of our biggest challenges over the next 10 years.

Execs discuss challenges of drug store industry

Markus Ernst, Executive vp, chief operating officer, Arbor Drugs

Today's challenges in retailing are greater than ever before. What's the difference between retailers who are successful and those who are experiencing difficulties? I believe the winners are working on shared organizational priorities, from the CEO to the clerks in the stores.

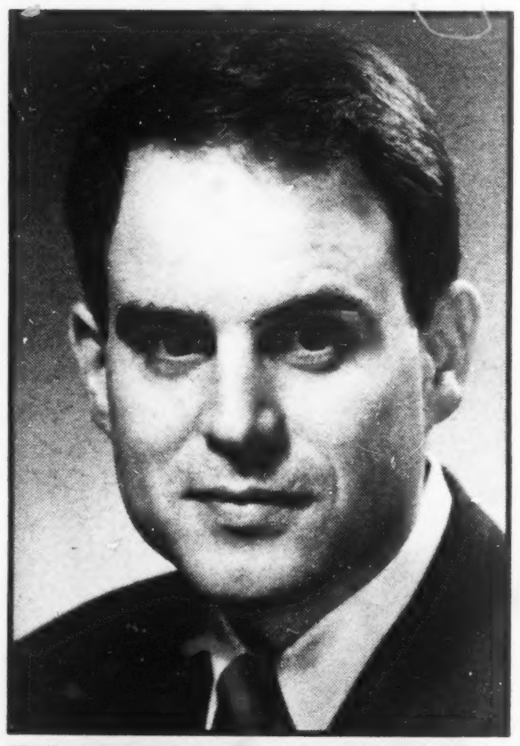
Those companies which are enjoying successes are focused on the true needs of their customers, not what might be the easiest way to do things or trying to imitate what a competitor is doing.

Listening to the customer requires paying attention to detail and being attentive. This also means taking the extra steps necessary to satisfy the customer: being in-stock on a day-in and day-out basis, following through on shoppers' requests and ackowledging every customer courteously.

In every sector of retailing, the common denominator of success is an outstanding store operations team. Superior execution at point-of-sale is often the one area in which a merchant can distinguish its operation from all the competition.

As in prior soft economic periods, some retailers will manage to succeed, stay out-in-front, get their people enthused and build momentum. A consistently strong performance requires the commitment of your total organization to making the customers' priorities your priorities.

Today's customer not only appreciates, but also demands a shopping experience that respects his or her time and intelligence.



Philip Perkins, VP-marketing, Snyder's

How has Snyder's changed or enhanced its marketing in response to changing consumer trends?

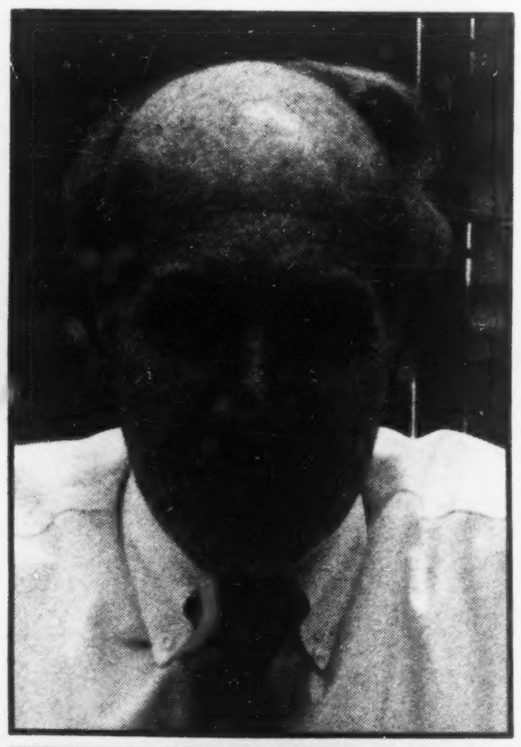
In response to the aging of the population, we have changed store merchandising in order to provide easy access. Our stores have wide aisles and no floorstands or prepacks to block the customer. Our pharmacies will all be at floor level with easy access to the pharmacist. Many stores have patient consultation areas.

Because of the increase of households where both spouses work, our customer is demanding increased convenience. We have long store hours, including two 24 hour locations. We have delivery service available in a number of locations. We provide services such as post offices, package mailing, copy machines, FAX and money orders—all designed to save time for our customer.

To take advantage of the increased number of women working outside the home, we have trained cosmetic consultants available during the stores' busiest times.

With a trend toward more self-medication, our broad assortment of OTC medications are merchandised adjacent to our pharmacies for easy consultation with the pharmacist.

It's becoming more difficult to reach the customer through mass communication vehicles. While we continue to advertise through newspaper inserts, TV and radio, there will be a shift to more direct, target marketing. For example, we feel our prescription customer data base provides us with an excellent direct mail opportunity.



Charles Reinhart, Director of merchandising, Harco

We must adapt to a lot of challenges and opportunities in positioning our stores for the '90s.

The '90s will be a time of new technology and changing trends. It will be a time of continuing changes in demographics, shopping habits and improved customer service.

It will become a time of better relationships between manufacturers and retailers to maximize display efforts and product presentation with better inventory control through deletion of slow sellers and improved in-stock position of key items.

I see the drug store of the '90s as more and more a health center—with added emphasis on customer service, better pharmacy information and consultation with improved pharmacist-customer relationships.

Our drug stores must adapt and change with our customers' shopping habits. We must become more convenient for our customers; we must staff our employees in conjunction within the hours our customers will be shopping in our stores.

More women are becoming convenience shoppers. With more women in the work force as double-household producers and as single heads of households, they have become "time travelers," and as a result our stores and our pharmacies have become very active in the late afternoons and early evenings.

To maximize the most of this opportunity, we must give good customer service and present appealing organized displays to maximize our sales and profits. Another area of opportunity that we must prepare for in the '90s is our increasing number of senior citizens and our aging population.

We must have well-lit stores with easy access shopping. We must also alter our product mix to accommodate our senior customers. We will need to increase our footage to the adult incontinence market and the adult nutrition products. Special diabetes needs and dietary supplements will also need more space. Additional health programs such as diabetic screenings, cholesterol testing and frequent blood pressure monitorings will all improve our overall health store image.

The stores that are positioned for the changes within the '90s will reap the rewards, while those who are not prepared may not survive. We must control our inventories and prepare our stores to our changing customers, we must begin preparing now.

10-year sales trends

(In millions of dollars. 1985 base equals 100[1], 1990 equals 155.8)

Departments	1990	1989	1988	1987	1986	1985[1]	1984	1983	1982[2]	1981
Prescriptions	$13,949	$12,189	$10,717	$9,426	$8,475	$7,669	$6,733	$5,927	$5,105	$4,612
OTC/proprietaries	6,381	5,948	5,362	4,882	4,468	4,087	3,595	3,201	2,879	2,575
Toiletries	4,468	4,134	3,770	3,436	3,230	3,047	2,742	2,457	2,271	2,020
General merchandise[3]	2,895	2,801	2,579	2,023	1,902	2,117	2,009	1,859	1,744	1,568
Tobacco	2,564	2,476	2,364	2,279	2,205	2,127	1,979	1,806	1,702	1,518
Housewares	2,458	2,411	2,245	2,083	2,003	1,676	1,606	1,497	1,389	1,238
Stationery	2,223	2,057	1,810	1,638	1,488	1,352	1,199	1,069	987	888
Cosmetics	2,122	1,998	1,834	1,715	1,605	1,481	1,352	1,205	1,107	976
Photo/video	1,873	1,746	1,547	1,425	1,294	1,235	1,114	1,001	891	791
Consumables	1,762	1,661	1,526	1,433	1,335	1,280	1,209	1,123	1,060	934
Candy	1,556	1,469	1,315	1,186	1,067	973	892	793	753	674
Misc./promotional	999	968	882	817	745	724	657	589	579	562

[1] *Drug Store News* established calendar year 1985 as base year equaling 100. Merchandise growth shown in future census issues will reflect this index.
[2] Calendar 1982 ad prior-year figures restated to reflect change in definition of chains from two or more to four or more stores.
[3] General merchandise and toys are now added together.

Source: *Drug Store News* 1991 survey of drug chains

Dreaded *R* word didn't stop chain drug industry's 9% gain

Tough times breed new solutions. Witness the chain drug store industry, which in the crucible of 1990 forged a more-than-respectable 9 percent gain in sales, to $43.2 billion.

Overall industry sales weren't bad either, with independent druggists chalking up a 6 percent gain to push total drug store industry revenues in the U.S. to $67.8 billion. The gains came in a year in which the economy staged a long-anticipated, well-publicized retreat.

Economists are still debating just when the downturn officially began last year, but it was clear the economy ran out of steam in 1990. The downturn came complete with a bona fide recession (the dreaded "R" word that finally escaped the lips of Washington economists) and a marked decline in consumer confidence, corporate profits, retail spending and stock prices.

All the more remarkable for drug chains, most turned in a respectable Christmas performance as the recession crystallized. What's more, some of them turned adverse economic conditions into record years in terms of profits, lending perfect credence to the old adage that drug stores are recession-resistant. Among the big winners: Walgreens and Arbor Drugs. Other chains used the opportunity to pull off turnarounds and restore profit momentum, including Genovese, Fay's, Kmart, American Stores, Perry and

Continued on page 48

Some drug chains turned adverse economic conditions into record years in terms of profits.

Breakout of 1990 chain drug sales

Department	1990 total chain sales (add 000)	1990 % increase	% of total sales	% gross margins	Average turns
Prescriptions	$13,948,540	14.4%	32.3%	35-40%	6.5
OTC/proprietaries	6,381,260	7.3	14.8	30-35	5.0
Toiletries	4,467,666	8.1	10.3	25-30	5.0
General merchandise[1]	2,895,191	3.3	6.7	15-30	4.9
Tobacco	2,563,502	3.5	5.9	35-45	15.3
Housewares	2,457,899	1.9	5.7	40-45	3.0
Stationery	2,222,536	8.1	5.1	35-40	4.7
Cosmetics	2,122,052	6.2	4.9	35-45	2.2
Photo/video	1,873,001	7.3	4.3	20-25	9.0
Consumables	1,762,372	6.1	4.1	15-20	5.2
Candy	1,556,382	5.9	3.6	25-30	7.5
Misc./promotional	999,198	3.2	2.3	15-20	N.A.

[1] General merchandise and toys are now added together.

Source: *Drug Store News* 1991 survey of drug chains

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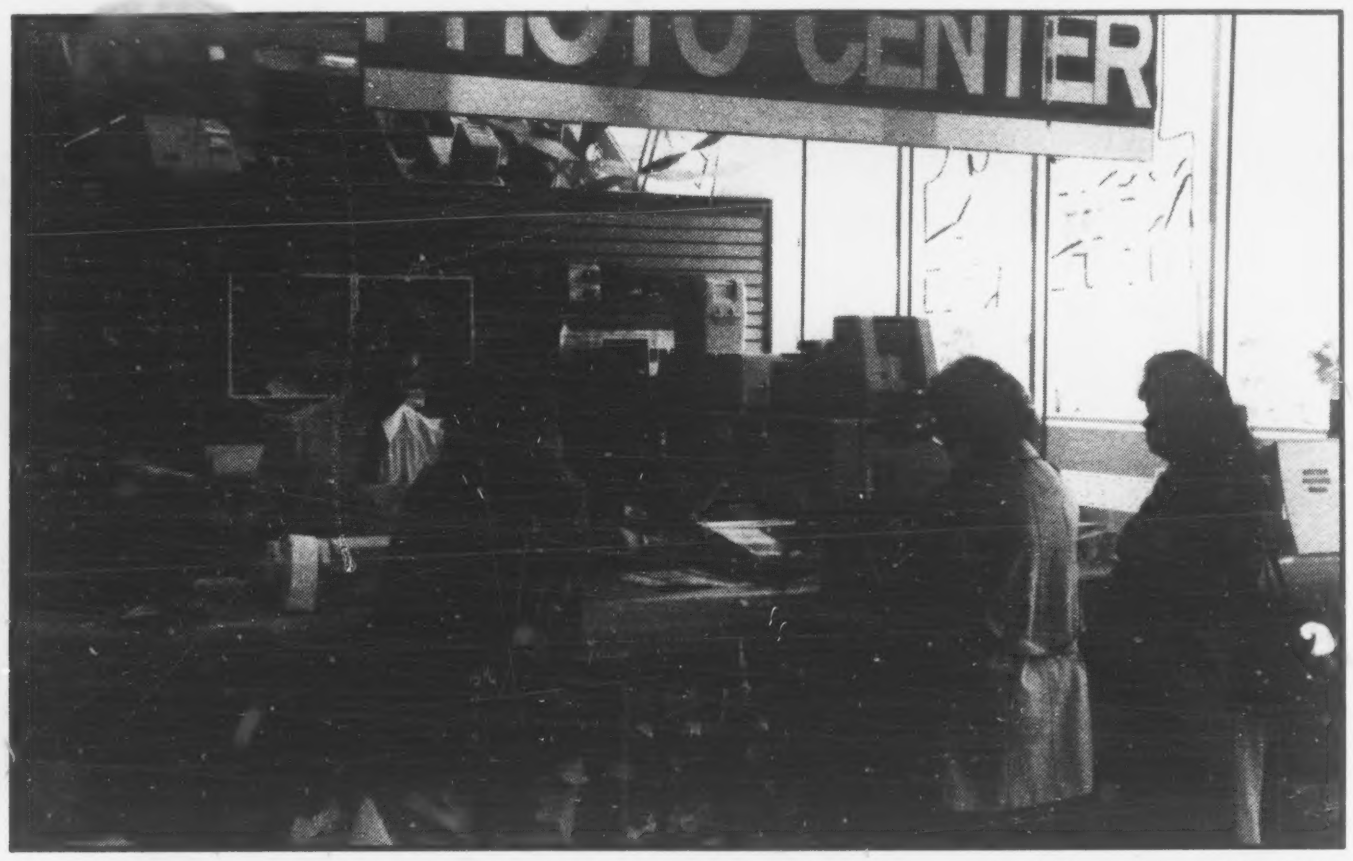
Pay Less, Clackamas, Ore., invests in service and a spacious format to build cosmetics performance.



Minilab and service photo counter help round out store image, traffic and profitability in Genovese, Bay Shore, N.Y.

Indeed, the pharmacy department was again the stellar performer in 1990. Drug chains saw Rx sales jump another 14.4 percent last year, to $13.9 billion. Industry-wide, prescription drugs now account for 32.3 percent of the total business.

Drug industry shows that it is recession-resistant

Continued from 47

Big B.

They did it with cost controls, a more disciplined approach to purchasing and operations, and effective merchandising and pricing policies. Most important, perhaps, the industry turned in sales and profit gains in a tough year by staying sharp and aggressive in the categories that built the business: pharmacy, HBA, photofinishing, cosmetics and fragrances.

"While we are not recession-proof, drug stores are somewhat recession-resistant," noted Perry chairman Jack Robinson in March. "Among the major reasons are that we sell non-durables and we are in the prescription business which, throughout our history, has always continued to grow regardless of the national economy."

Pharmacy is the star

Indeed, the pharmacy department was again the stellar performer in 1990. Thanks in large part to the aging of the population and the continuing introduction of new generations of highly effective but expensive drugs—as well as to their own promotional efforts—drug chains saw Rx sales jump another 14.4 percent last year, to $13.9 billion. Industry-wide, prescription drugs now account for 32.3 percent of the total business.

Cosmetics/fragrance and skin-care items also did well, thanks to consumer trading-up and aggressive chain drug promotion of prestige lines. Many chains have pushed sales by revamping their cosmetics-/fragrance departments and adding more service. Given efforts by combo retailers like Kroger Co. and off-price chains like Wal-Mart and Drug Emporium to upgrade the service, selection and ambience of the category, as well, competition should continue to heat up. Walgreens recently announced plans of its own to overhaul its cosmetics departments for the first time in many years.

Efforts to upgrade the photo department at many chains in recent years have also borne fruit. Photofinishing sales were up nearly 10 percent in the nation's drug stores last year, thanks to more aggressive promotions, higher service levels, more prominent departments and the growing use of compact one-hour minilabs in chain drug stores.

Drug retailers found new growth opportunities in items like candy, snacks and groceries, all of which had strong gains in chain drug stores last year.

Walgreens, Chicago, reinforces value image with shoppers in core toiletries.

RITE AID Photo Center
COMPARE & SAVE

Tightly merchandised checkstand raises turns on impulse goods at Rite Aid, Harrisburg, Pa., and leaves shoppers with positive lasting impression.

Chains see solid gain in cosmetics sales

Drug store chains reported a 6.2 percent gain in cosmetics to $2.1 billion—a solid performance driven by strong sales of lipsticks and lipcolors, mascaras and face makeups.

Genovese, Snyder, Drug Emporium, K & B and Perry are among chains attributing the big pickup in lipstick sales to successful launches of Revlon's Velvet Touch, L'Oréal's Colour Supreme and Cover Girl's Lip Advance.

Mascaras also continue to sell well. L'Oréal's Lash Out, Max Factor's 2000 Calorie, and Maybelline's Great Lash are singled out as top sellers, although a battle is shaping up among the three for segment leadership. Buyers say L'Oréal's new waterproof mascara, Splash Out, and Max Factor's Splish Splash are also selling well.

Max Factor cosmetic products are still on a roll; for the past two years, buyers have reported that every cosmetic it ships is selling. That isn't consistently the case for their skin treatments or fragrances, however, as buyers have noted general softness in both categories.

Face makeups are also selling well this year in chain drug stores, led by L'Oréal's Visuelle, Max Factor's New Definition and Cover Girl's Perfecting makeup.

Prestige fragrances, especially the strongest advertised department store lines, have built a loyal following among drug store shoppers—enough to have led a nearly 7 percent upturn in fragrance sales in 1990. Their success, of course, is having an impact on moderate-price brands such as Vanderbilt, Lady Stetson, Charlie and California.

The two exceptions to that: Navy and Ex Cla Ma Tion, both of which are still selling well and both of which are continuing to receive strong advertising support from their manufacturers, Cover Girl and Coty respectively.

Other hot categories: cosmetic organizers, currently dominated by Caboodles, but soon to have company with Sassaby's, which will be shipping for the back-to-school season (*see Beauty Beat, page 108*). In accessories, Paris Presents And Travel Mates are often singled out as strong sellers, as is Tempo Sanys for its De-mak'Up cotton balls and puffs.

Buyers say that among smaller vendors, Ardell eye lashes and cosmetic brushes move well, and West Cabot is noted for its Clear Complexion Concealer, which many chains are adding to their planograms.

Another upstart category is home fragrances. Coty launched the first mass market line, L'Effleur, last Christmas, with buyers giving it good grades. The problem is where to merchandise L'Effleur: with fragrances, bath, skin or gifts. Only time will tell.

1990 cosmetics department productivity in chain drug stores

Category	1990 total sales (add 000)	1990 % increase	% of category sales
Fragrances	$ 624,260	6.5%	29.4%
Toilet water/cologne	491,252	7.1	23.1
Perfumes	100,842	4.7	4.8
Body sprays	32,166	2.7	1.5
Budget/pegged cosmetics	489,542	3.3	23.1
Nail polish/nail preps	218,326	6.2	10.3
Bath preps	182,451	5.2	8.6
Lipstick/lip color	181,194	9.7	8.5
Eye makeup	173,347	9.2	8.2
Facial treatments	131,985	6.4	6.2
Makeup, powder/cream, liquid	120,947	9.2	5.7
Total	$2,122,052		100.0%

It's smooth sailing for chains with upscale bath/body products

Upscale bath lines have also done particularly well this year, especially around Christmas and Mother's Day. Yardley and Jean Naté gift sets led movement, buyers said.

Some chains, especially those with large stores like Drug Emporium and Pay Less, are starting to weave attractively packaged bath lines like Yardley, Jean Naté, Natural Essence, Sarah Michaels, and more popular upscale HBA bath lines like Neutrogena and Nivea, into a bath care set where lines can be merchandised cosmetically as a family.

Drug Emporium's Kathy Covault says the chain promotes bath more frequently than in the past, sometimes offering gift-with-purchase promotions to generate sales.

Possibly because of the success of specialty stores like The Body Shop, Drug Emporium believes that women now expect to find bath and body products together in one set. Kovault says this approach gives them a chance to make life more pleasant for their customers—and capture incremental sales of companion items such as shower gel, soap and skin lotion.

Small and mid-sized chains, on the other hand, like the idea of upgrading their stores with boutique sets, but worry about where the space will come from and whether they'll confuse shoppers.

"It's a good concept," says Paul Carlson, who buys HBA bath, hair and skin care for Snyder Drug in Minneapolis, "but the problem is where to put it and how to do it without confusing the shoppers."

Snyder's Susan Lund, Carlson's counterpart in cosmetics, is reviewing the bath planogram with him to find space for "significant expansion." Mid- and small-size chains have had to attack this problem before, most recently when they tried to develop skin care centers for their stores.

Not only did buyers have to worry about where to find the space, but also they had to decide where a skin center should go: in cosmetics, toiletries or both.

Now many chains are resolving that problem by putting the set midway between cosmetics and toiletries skin. Chains like Drug Emporium, Eckerd, Genovese and Pay Less have created skin care boutiques in the general cosmetics area, but as close to the adjacent toiletry skin set as possible.

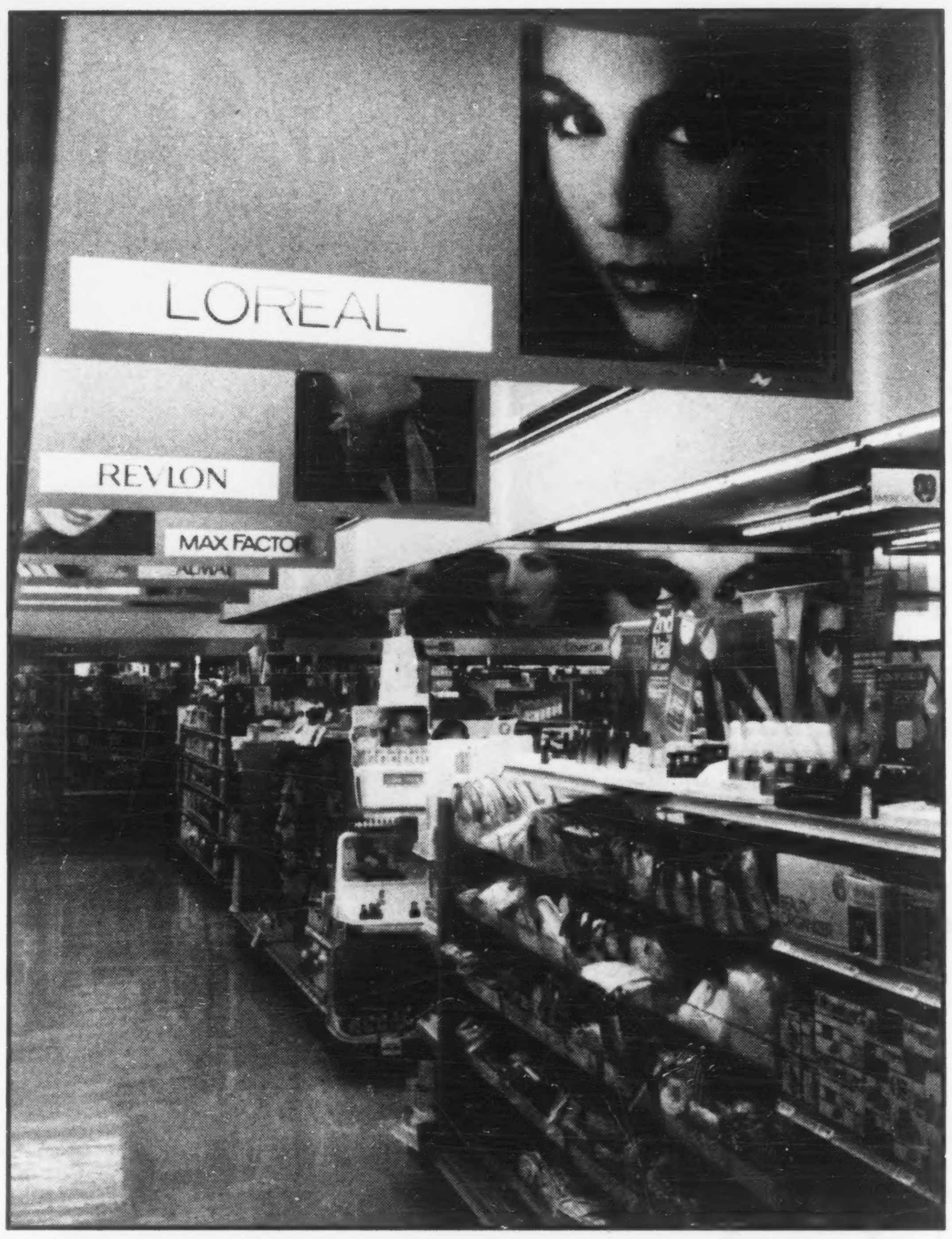
Drug Emporium is also extending its skin center planogram to include an adjacent bath center where lines like Yardley or Neutrogena can be merchandised together as a family.

1990 cosmetics department highlights in chain drug stores

Chain drug cosmetics sales	$2,122,052,000
1990 percentage increase	6.2%
Percentage of total chain drug sales	4.9%
Typical gross margins	35% - 40%
1990 industry profit yield from cosmetics	$742,700,000-$848,000,000
Average annual department turns	2.2

Source: *Drug Store News* 1991 survey of chain drug stores

Most boutiques have cosmeticians or trained clerks staffing them, as at Longs Drug (l), which credits them for strong department sales.



Perry (above) capitalizes on the rapid growth of accessories such as cosmetic organizers and bags with fashion centers in its larger stores.

EXPRESS CHECKOUT
L'OREAL
COVER GIRL
MAYBELLINE

Wal-Mart (l) may be a mass merchandiser with rural roots, but it believes cosmetics is a fashion business too. This is the latest prototype in Bentonville, Ark.

Professional, natural lines boost family HBA

Don Beeler, president of Snyder Drug, recalls his chain's struggle to merchandise professional hair care family lines in a boutique setting several years ago.

As lines like Redmond, Infusium, Demert and TRESemme became available to mass retailers, the more creative and innovative chains such as Eckerd, Walgreens, Arbor, Perry and Snyder grabbed the opportunity to heighten their fashion image and develop a high-ticket, high-profit category.

Today, professional hair care sets are in almost all major drug chains, home, too, to a number of premium-priced "natural-ingredient hair care lines" such as Freeman's Sea Mist and Papaya shampoos and conditioners.

The drug trade class is evolving to the point where some of the large West Coast chains are talking about developing multi-product segment boutiques that would be themed to "natural ingredient" or "environmentally responsible" themes.

To pull off this marketing concept is a challenge to drug chains, say some buyers, because it cuts across categories and involves perhaps four or five product segments: hair, skin, sun, bath, body, and perhaps even children's toiletries.

Buyers such as Genovese's Stephanie Hayter, who've seen Naturistics, the new Del Labs natural care line, say this launch may give them the chance to test whether specialty merchandising of this kind can work in chain drug. Hayter notes the fixtures Del has developed for Naturistics are suitable for endcaps.

The easiest way to test family merchandising of multiple categories is on an endcap because it doesn't disrupt current planograms while giving the line high visibility.

Other buyers said this is how they first tested ethnic cosmetics in their stores. They endcapped a line such as Posner face makeups and lipsticks, and watched its sales.

Since taking this approach, K&B has upgraded its ethnic neighborhood stores to an average eight feet of ethnic cosmetics; that will probably rise again this year as new lines are added to the planogram.

The easiest way to test family merchandising of multiple categories is on an endcap.

SKIN CARE CENTER

Drug Emporium (above) and others create boutiques within boutiques to induce higher-ticket sales and more brand family-regimen sales. Shown: skin care boutique within cosmetics.

Uncertainty in the air over Revlon's future

As this issue went to press, the big question on every cosmetic buyer's lips wasn't brands or segments, but the future of Revlon and its many lines and divisions.

In recent months, buyers' discomfort with Revlon's marketing programs has intensified. The general consensus: a break-up may help the Revlon cosmetic and toiletry divisions get their acts together.

But while Revlon executives talk with a variety of companies—including Procter & Gamble, Unilever, Cosmair and Coty—buyers say they will have to do their planogramming and promotional planning "in the dark."

Some buyers wonder if the Federal Trade Commission would nix an acquisition if Revlon were to be sold in bulk rather than pieces—especially if that sale was arranged with a conglomerate like P&G or Cosmair, both of whom already control a considerable share of cosmetic/fragrance/ toiletry sales.

Regardless of how the situation resolves itself, buyers say they are now prepared to plow ahead with their regular planning despite all the uncertainties.

For enlightened chains, cosmetics are fashion

Some drug chains think they are selling lipsticks and face makeups in their cosmetics aisles. Others—Eckerd, Pay Less, Pay 'n Save, Longs, Perry, Arbor and Sav-on among them—understand they are selling fashion.

The transformation of cosmetics into a fashion center continues to evolve as we cross into the '90s. Shown are examples of the trend.

The wall is still the heart of cosmetics in most drug chains. Here, Arbor Drug uses bright lights, wide aisles and clean fixturing to make shoppers comfortable.

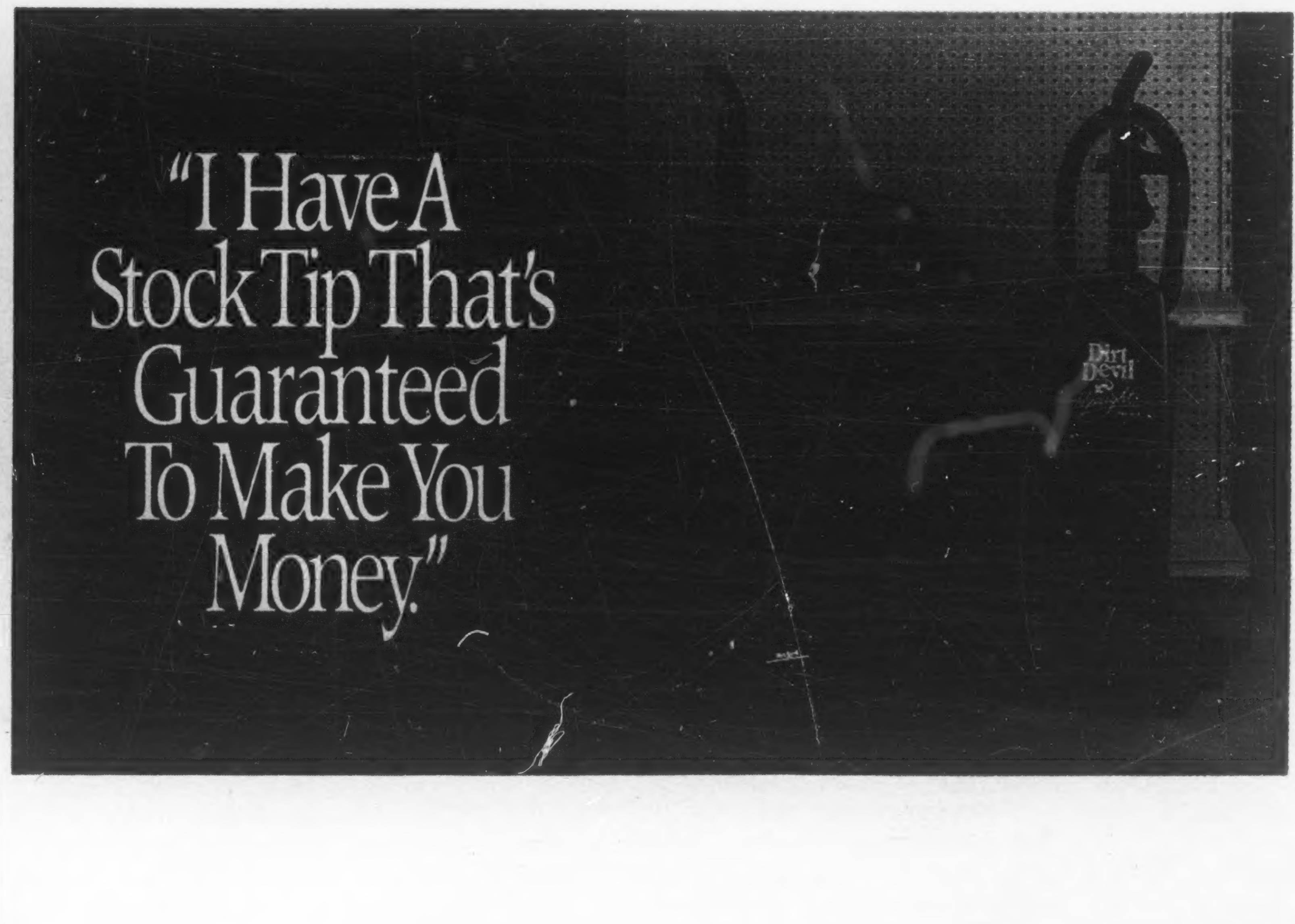
Jewel Osco has lots of traffic, but its cosmetics department isn't always on shoppers' lists. Boutique adds visibility, then women's fashion instincts motivate purchases.

At Genovese, the cosmetics department appeals to shoppers' sense of aesthetics: it is clean, bright, airy and overflowing with flowers and perfume bottles.

Clarion
MENS SHOP
LOTIONS

Crown Drugs lures shoppers to its cosmetic wall by merchandising the latest products and shades on a gondola adjacent to its nail center, men's colognes and lotions.

Standard Drug gets consumers to the wall by devoting space to attention attracting categories: gift sets and fashion promotions.



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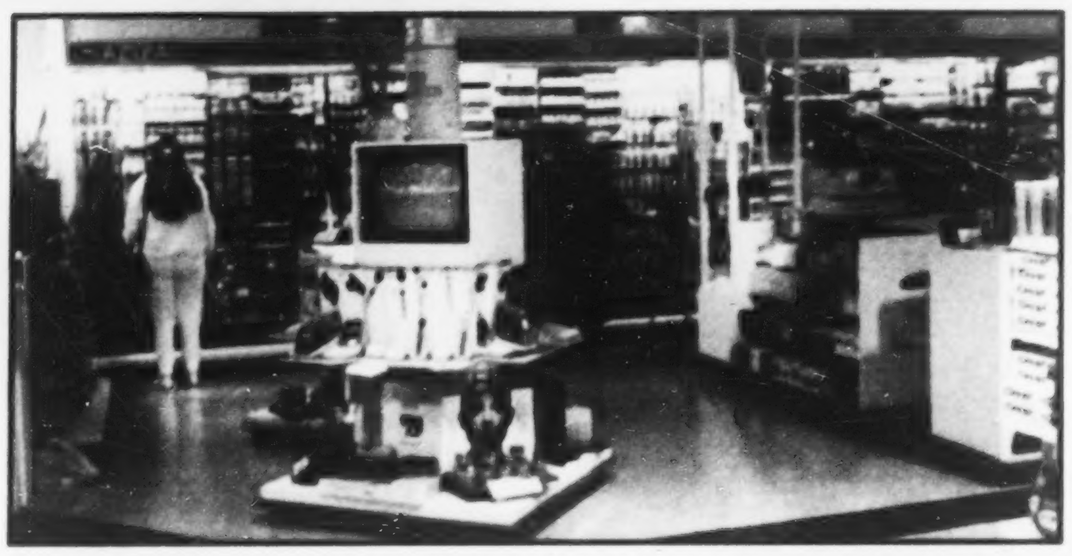
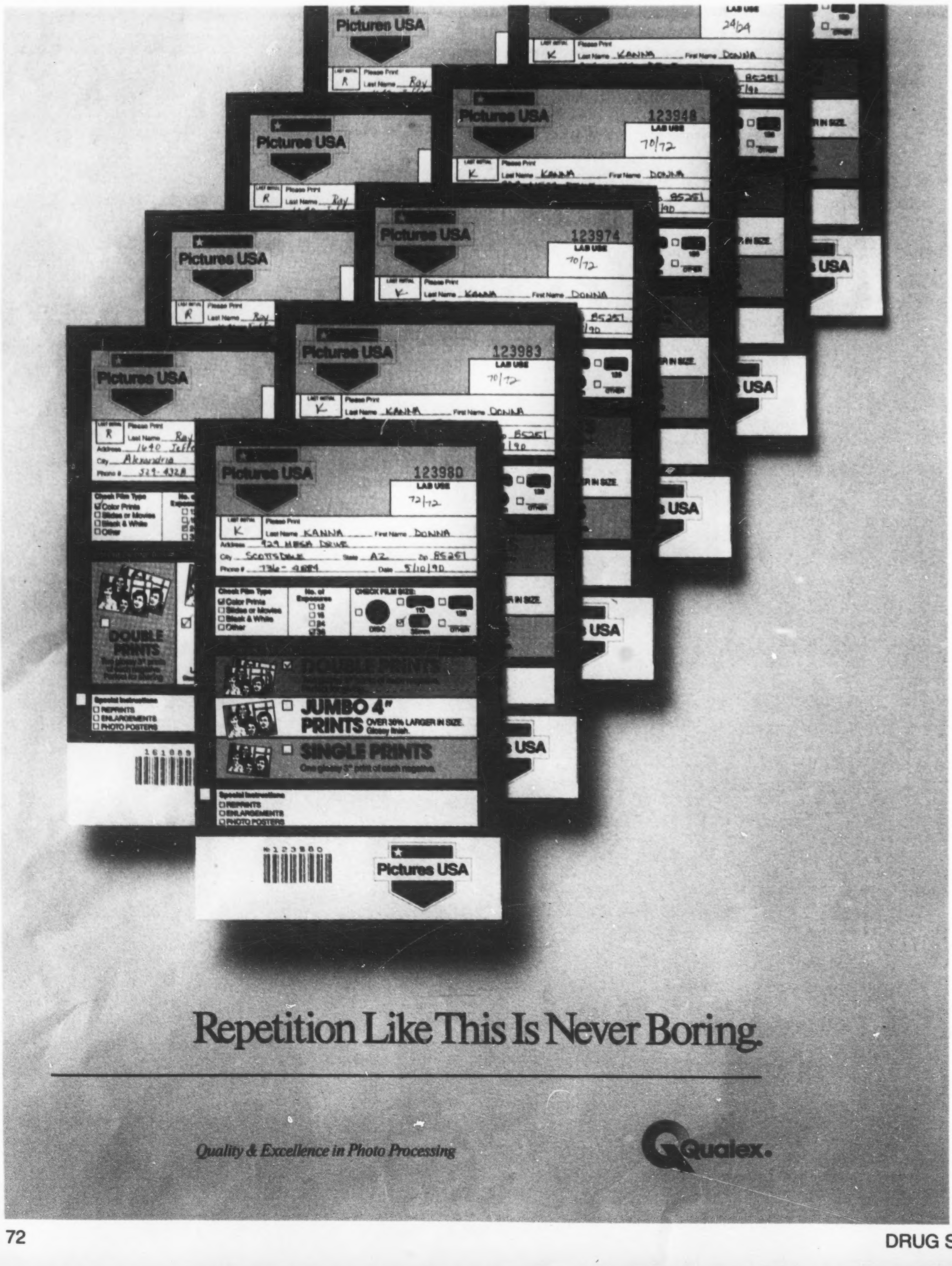
Service cosmetics bullpen in Snyder Drug's prototype, Eden Prairie, Minn., maintains files on shoppers.



Vons Pavilion, El Monte, Calif., develops displays with video and overhead graphics that signal fashions and emphasize brands.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New players in ethnic cosmetics

Ethnic cosmetics has been having a strong year, and the future is looking even brighter as more major players move into this category.

Posner, for instance, continues to sell well in African-American neighborhood stores. No one questions its position as the strongest brand in the category—driven by its advertising, fashion- and price-value-promotions.

Now, however, Maybelline and Almay are launching ethnic lines, and two major budget manufacturers, Artmatic and Pavion's Wet 'N Wild, are also backing lines targeted specifically to women of color.

At press time, most buyers had already seen the Maybelline line and their initial reactions were very positive. Stephanie Hayter of Genovese and Susan Lund of Snyder both welcomed a major company's presence in the category. They both felt the Maybelline line, Shades of You, will start well, especially if promised advertising materializes.

"We're glad to see more manufacturers get in," said Donna McManus, cosmetic buyer for K & B in Louisiana. K & B, like many chains, plans to expand its ethnic cosmetics planogram and is reviewing several other lines that might make good additions to their set.

Among them: Shades of You, Simply Satin, Almay, Tropez from Artmatic and the new Wet 'N Wild ethnic line: Black Radiance.

Style drives hair accessory sales

Increased emphasis on grooming and health are propelling sales of hair accessories including implements (combs and brushes), and hair and head ornaments.

While impulse sales are important on items under $2, today's customer also seeks out value in items such as barrettes and—strong performers in 1990—head bands and hair wraps. Head bands are a perennially strong performer. Hair wraps should stay strong into 1992, industry sources feel.

"It's become a basic part of dressing for most women today," one source observed of head bands and hair wraps.

Also strong in 1990 was the "ponytail" category.

The fashion element of course is key in the high-margin segment. For 1991, Goody is betting on its Sport line of hair accessories with a sporting feel to them in bright colors and in black.

New vendors have entered in both the mass merchant and department store ends of the business, challenging in drug stores such heavyweights as Goody, Sekine, Conair and Wilhold.

1990 toiletries department productivity in chain drug stores

Category	1990 total sales (add 000)	1990 % increase	% of category sales
Face cream/skin care	$ 670,058	12.9%	15.0%
Deodorants	488,420	6.6	10.9
Men's toiletries	478,487	7.9	10.7
Shampoos	434,855	7.5	9.7
Hair color	362,910	5.4	8.1
Ethnic (incl. black cosmetics)	287,539	5.3	6.4
Rinses & conditioners	280,784	9.3	6.3
Body creams & lotions	212,393	7.7	4.8
Razors/blades/disposables	202,702	9.9	4.5
Hair sprays	187,061	5.6	4.2
Hair accessories	171,075	8.2	3.8
Suntan/sunburn	119,719	6.9	2.7
Sun protection	117,238	9.0	2.6
Styling aids	92,550	7.3	2.1
Shave creams	69,546	3.9	1.6
Perms/straighteners	29,783	6.7	0.7
Depilatories	15,101	5.4	0.3
Miscellaneous	247,447	8.3	5.5
Total	$4,467,666		100.0%

Source: *Drug Store News* 1991 survey of drug chains

1990 toiletries department highlights in chain drug stores

Chain drug toiletries sales	$4,467,666,000
1990 percentage increase	8.1%
Percentage of total chain drug sales	10.3%
Typical gross margins	25% - 30%
1990 industry profit yield from toiletries	$1,117,000,000 - $1,340,400,000
Average annual department turns	5.0

Source: *Drug Store News* 1991 survey of drug chains

Skin care growth . . .is led by facial and specialty lotions, hand and body lotions, and facial cleansers. A spate of new launches has made this category "highly volatile," one buyer said.

Premium-priced hair/skin/bath products shine at chains

Chains that have developed full [bath] planograms . . . have experienced sales gains as high as 30 percent.

The continuing success of premium-priced hair, skin and bath care lines at chain drug stores were bright spots in toiletries this past year.

Higher tickets on such brands as Pert Plus, Ultra Care and Colorvive drove hair care volume. In skin care, acceptance of Plenitude and aggressive marketing Oil of Olay, Neutrogena and Nivea boosted sales.

Bath care is also growing at a fast rate due to new launches and merchandising programs. Chains that have developed full planograms or boutiques have experienced sales gains as high as 30 percent.

Hair

Two-in-one shampoos and conditioners are spearheading advances, along with volumizers, hair colors, alcohol-free formulas and shine enhancers.

Buyers report on recent launches: "good growth" for Vidal Sassoon's Ultra Care three-in-one shampoo/conditioner/rinse and L'Oreal's Colorvive; Pert Plus still sells well in the face of escalating competition; and Frizz-Ease has been called "phenomenal" by merchants who were among the first to stock it.

Professional hair care brands like Aussie and Infusium are continuing to do well in chain drug stores, but their growth today is less than 10 percent rather than double digits, indicating possible saturation, buyers indicate.

Pert Plus still leads the two-in-one segment at chains such as Perry Drug in Detroit and Duane Reade in New York, which Perry's assistant vp-toiletries Scott Gorley attributes to the brand's advertising and product quality.

Merchants across the country are also reporting more growth in hair color, led by Clairol and L'Oréal. And they cite moderate growth in value-priced brands such as White Rain and Suave. They point to styling aids as a category bright spot.

Skin

Skin care growth in chain drug is led by facial and specialty lotions, hand and body lotions, and facial cleansers. However, a spate of new product launches has made this category "highly volatile," one buyer said.

Susan Lund, cosmetics buyer at Snyder Drug in Minneapolis, regards franchised skin care as a 7 to 8 percent growth area, but if she were to include Plenitude, which is an HBA line, growth would approach 15 percent.

Her list of category favorites: eye creams, Plenitude Liposomes moisturizer, frozen eye packs applied like a mask, such as Eye Packs from Paris Presents, and Bonne Bell Ten-O-Six.

At Duane Reade, president Eli Cohen likes Plenitude and Oil of Olay's new line of cleansers and Refreshing Toner, which he said "surprised us with its turns."

At Perry, said assistant vp-toiletries Scott Gorley, HBA skin care growth approaches 10 percent. Category volume is led by Oil of Olay, followed by Neutrogena, Nivea, Lubriderm and Curel.

ECKERD
SUNCARE CENTER
Coppertone

Eckerd Drug merchandises sun care year-round in Sunbelt stores. Endcap heightens visibility of best sellers.

Skin care is also showing up well at deep discounters.

At Drug Emporium, for instance, senior cosmetics buyer Kathy Covault cited Plenitude as a best-seller, followed by Oil of Olay, Almay, Clarion, some SKUs from Revlon's Eterna 27 and European Collagen.

Covault says Plenitude's newest and most expensive item, Action Liposomes, is doing "great. No problems at all with the price point."

Also hot here: skin care moisturizers that are sun blocks, she said.

Continued on page 76

Premium-priced hair/skin/bath items bright spot at chains

In the hair care department, styling aids are still top sellers, especially price-value and semi-professional lines.

The proliferation of complete bath lines such as Fa, Sarah Michaels and Natural Essence make it easier to boutique bath.

Continued from page 75

Some drug chains report 20 percent to 30 percent dollar sales growth in bath care over the past year.

Perry's Scott Gorley attributes most growth to new launches—and to a doubling of footage for skin-bath during 1990. Jean Nate, Vitabath and Raintree are three of the category's premium best sellers—all merchandised in HBA rather than cosmetics for faster turns in higher traffic toiletry aisles.

Other good sellers at the chain: Neutrogena, Dep's Nature's Family, Fruit of the Earth and Perry's private label bath items, and in the lower price range, Calgon, Jergens and VIC.

Cosmetic soaps, which Perry stocks seasonally as gift items, are also popular, Gorley said.

At Douglas/Maxidrug, bath is up around eight percent, better than most toiletries, said buyer Steve Dubin. One leader: the new Capri line of soap, tablets and powders from Northern Labs.

He recently moved the Bonne Bell bath line from cosmetics to a higher identity placement in the toiletry bath set. The move is too new to be evaluated, though Dubin anticipates stronger sales due to better accessibility.

At Snyder bath is one of Susan Lund's highest growth segments, led by upscalers Vitabath, Vitabath Plus, Jean Naté and Petite Naté. Also selling well: bath and body products from fragrance vendors, such as Ex Cla Ma Tion, Vanderbilt, Charlie and Krystle, and older brands such as Emeraude and Chantilly.

Drug Emporium's Kathy Covault said her bath care sales have been helped by the chain's merchandising strategies for the category: more promotions and more department store strategies such as gift with purchase. The chain runs at least one promotion a quarter with Vitabath, with some featuring on-pack GWPs. With Jean Naté, Drug Emporium usually runs one promotion a year, generally a bonus size or other consumer value as opposed to an on-pack.

Sun care

Sun care had a partly cloudy 1990. Weather in the northeast prompted Douglas/Maxidrug, for example, to return 40 percent of its inventory last year.

For 1991, buyer Steve Dubin says he has bought more cautiously, dropping slow movers and playing up proven winners: Coppertone, Hawaiian Tropic, Bain de Soleil, Banana Boat and a popular regional line, Nantucket Gold.

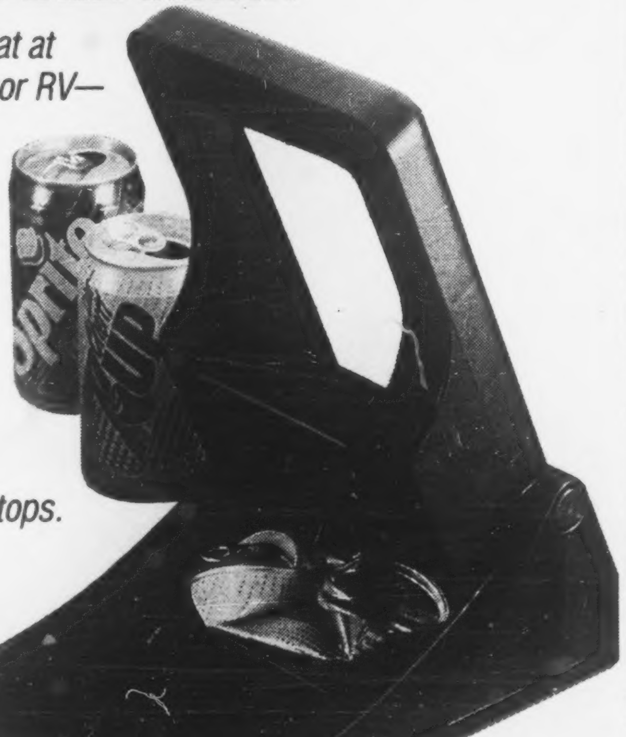
In sun protection, he is sticking with Pre Sun, Sundown, Shade, Ti-Screen, Neutrogena and Almay.

He anticipates a good showing by the new sport formulas being offered by Coppertone and Bain de Soleil. As the latest innovations in sun care, they promote their "sweatproof" formulas as a point of difference.

Dubin says it's a little hard to forecast because of the economy and their higher price points. But he fells that with enough advertising, enough people will demand sun protection products that adhere even when wearers are engaged in activities that make them sweat.

At Perry in the midwest, the weather wasn't great last year either, but the chain still had a good sun care season. Sales got 16 percent hotter, said assistant vp-toiletries Scott Gorley, led by Coppertone, Hawaiian Tropic and Bain de Soleil, and followed by Banana Boat, Sundown and Pre Sun. This year, Perry will add Panama Jack to its sun care planogram.

> Some drug chains report 20 percent to 30 percent dollar sales growth in bath care over the past year.



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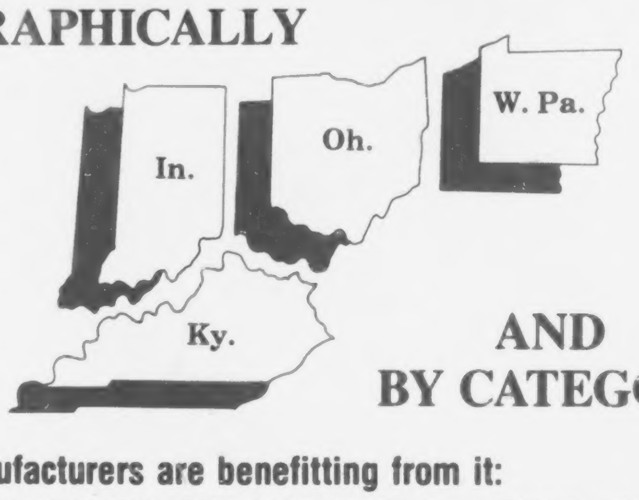

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Ethnic merchandising's new methods spur sales while hair color generates double-digit growth

Drug chains are adopting new merchandising strategies to help spur ethnic HBA growth in specific neighborhood stores.

Radio advertising reaches ethnic consumers and the young shopping audience sought by merchants, so it has moved front and center.

Planogramming has become more precise, as chains grow quicker to drop slow turners and bring in new fashion goods.

And distributor service is being chosen over warehouse programs at some chains. Eckerd was one of the first major operators to go this way, and sources say Revco may soon follow.

Distributor service

"If only 30 percent to 40 percent of my stores are receiving shipments of ethnic products, it makes no sense for me to tie up inventory dollars by warehousing ethnic. I get better turns and a better ROI by using a distributor," one source said.

Kent Humphreys, co-owner of Jack's Service Company of the U.S., in Oklahoma, cited ethnic's fast turns and high volume as plusses, while conceding "the economy and the war have hurt the black community. But when things get tough, retailers clear up their system. They review where they get the best ROI: from their warehouses or distributors. They look at ethnic neighborhoods" and alter inventory to suit demand.

Distributor service is being chosen over warehouse programs at some chains.

What's hot

Ethnic has some sizzling segments: spritz and hot oil. New Era and J.M. Products both have two of the best items in these categories, buyers said.

Culver's TCB Hot Oil is also selling well, and buyers think that the new Hot Oil that Luster is launching will also be a winner.

Hair color has been generating double-digit growth in ethnic, the majority of our sources say.

Carson's Dark & Lovely is spearheading the explosion, with some trade executives reporting 50 percent-plus unit sales gains over the past six months.

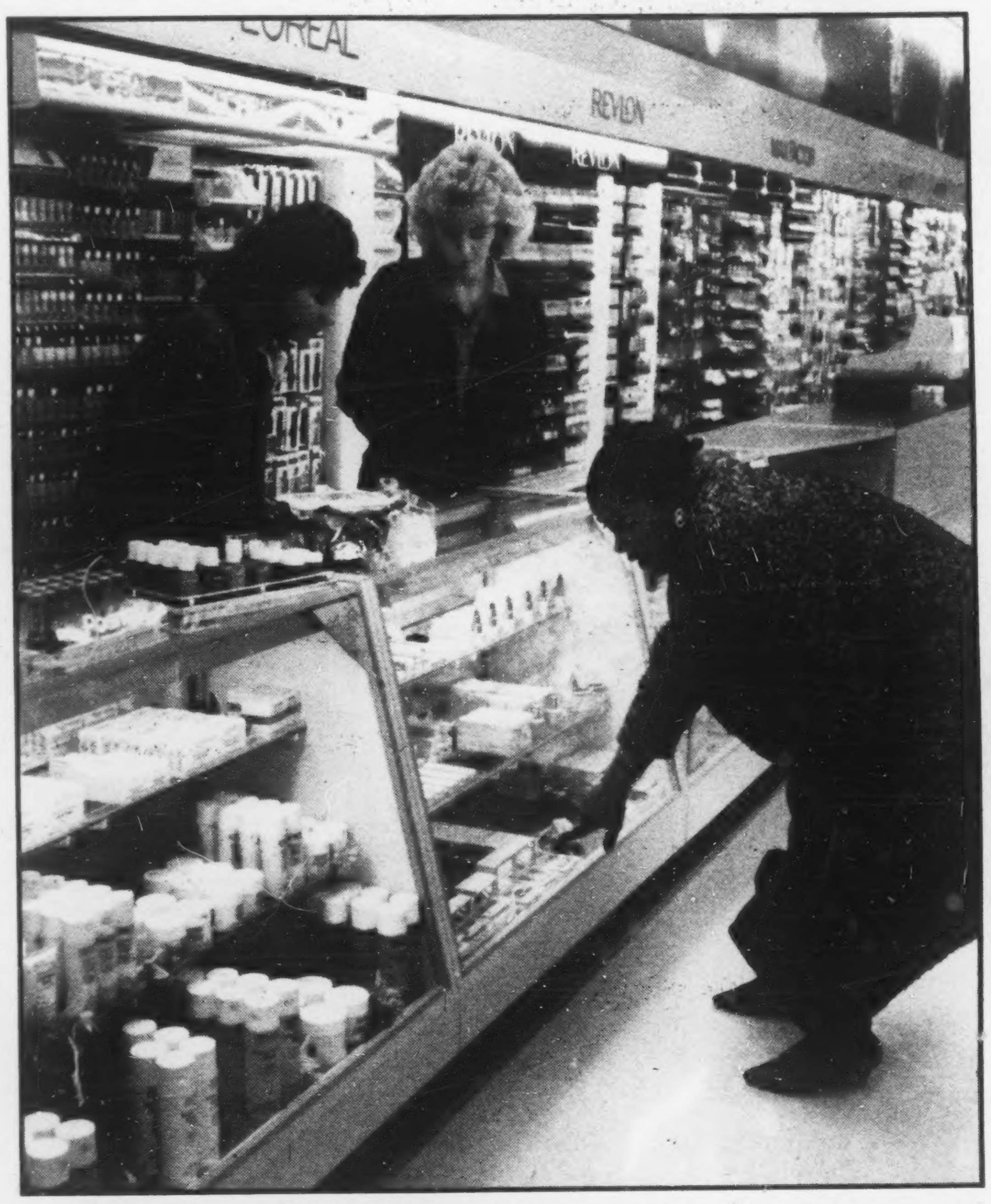
Since buyers don't think many more African-American women will color their hair, the consensus is that Dark & Lovely is taking share from general market lines such as Clairol and L'Oreal.

However, as more chains improve their hair color and cosmetics shade varieties in ethnic neighborhood stores, African-American women are finding ample product selection.

As a category, hair moisturizing products are also showing double-digit growth, with almost every brand in the segment doing well.

New makers, new lines

Ethnic cosmetics are also selling well, and buyers expect further growth as new lines from Maybelline and Almay reach the market, and as Artmatic and Wet 'N Wild roll out their new lines of budget ethnic cosmetics.



As middle-class ethnic consumers frequent drug chains, Perry and others offer a wide variety of department store and mass market lines.

Gels formulated for use on relaxed hair are also selling well, although some distributors are starting to cut back on their assortment.

One source felt the most productive way to merchandise relaxer gels is to go with a strong-selling higher-price brand like Worlds of Curls Relaxer gel, then include perhaps two medium-priced gels and a low-end gel.

In some sections of the country, however, curling gels, which was one of the strongest growth segments just three years ago, is showing precipitous declines.

Charles Monk, ethnic hair care buyer for Harco Drug, describes the category as "very fashion-driven." Its maintenance and styling products are dependent on styling trends, and until some style, like the curl, emerges to dominate the fashion world, women and men tend to be eclectic in what they buy.

The only products that remain steady are those like moisturizers or hot oils, which people need to keep hair healthy and shiny.

Hair wrap

For the past few seasons, buyers have been waiting to see if the hair wrap style takes off nationwide. The jury is still out, they say, but more maintenance products are coming out for the wrap and seem to be moving well.

Revlon's Roux Wrap 'N Tap was the first one out, with good grades from buyers; J.M. Products has Isoplus Wrap Lotion, which some feel will "ride the coattails of the spritz and hot oil" and do well.

Price/value

In ethnic, price/value is another key barometer of a successful launch, as demonstrated by the continued popularity of Optimum Care by Soft Sheen.

Until this launch, most ethnic shampoos were packaged in 8-ounce. containers, but priced as 16-ounce general market lines.

Soft Sheen, said buyers, was the first to launch a 16-ounce ethnic shampoo formula at a competitive price.

For some retailers interviewed, sales of that line doubled over the past six to nine months.

Family merchandising

Soft Sheen's latest introduction, Baby Love children's shampoo, is now being shipped. Buyers said they like the concept and packaging, but aren't sure how to present it in their stores.

The question: this family line cuts across categories and buyers don't know if it belongs in ethnic baby care, general market shampoo, or bath.

J.M. Products also offers a children's toiletries line, but it's still too early to gauge its performance.

Skin care is also showing some moderate growth, buyers say, led by Ambi and Dr. Palmer's skin lotions.

Planogramming has become more precise, as chains are quicker to bring in new fashion goods.

Aggressive marketing plans drive ethnic sales

Manufacturers are also reviewing marketing programs in an attempt to stimulate growth. Soft Sheen and Carson, for instance, continue to advertise aggressively—both to consumers and co-op.

Smaller suppliers with tighter budgets are using bonus packs, combinations and free samples to generate trial and usage. J.M. Products, for example, introduced its new Isoplus Spritz by giving away an 8 oz. bottle on-packed to Isoplus Oil Sheen, a proven top-seller.

According to Gary Yowell, vp-purchasing for Jack's Service, the strategy was effective and the Isoplus Spritz, along with the New Era Spritz, are his two best sellers in that fast-growing segment.

Buyers aren't yet convinced that consumers will cast an environmental vote with their pocketbooks.

Drug store retailers are finding new growth in their stationery departments, while continuing to exploit home office potential. Pay Less store in Clackamas, Ore., carves a niche for children's arts and activities.

Color and consumer willingness to trade up are keystones of the stationery department's success.

Merchants eyeing more space for school, home office

In a survey *Drug Store News* conducted early this year, most drug store, combo and discount merchandisers who responded said they expected school/home office/stationery department sales to increase 5 to 10 percent during 1991. About one-third also said they planned to increase space for products in the category from 5 to 20 percent this year.

The survey also found that, after home office supplies, recycled and reduced-package products were seen as the fastest-growing part of the department.

Certainly, the Back-To-School Show in February bristled with products making environmental claims. But many buyers at the show sounded hesitant about investing much money or space in green products beyond token representation. They have yet to be convinced that consumers will actually cast an environmental vote with their pocketbooks.

But some drug chains—and many more supermarket companies—are getting serious about environmental issues, as shown in *Drug Store News*' last issue (April 1), which featured a special environmental report. If efforts at this point are mainly focused on companies' internal practices, such as in-office paper recycling, they're likely to spread to products, as consistent, nationwide standards are set and manufacturing processes responsive to environmental concerns are developed and brought up to speed.

The school/home office/stationery category should be one of the first departments in drug stores to be able to make a broad environmental presentation. Consider products already out: Stuart Hall's Green Leaf, Mead's Green Cycle, Carolina Pad & Paper's Cycle II and Union Camp's Vista lines. As recycling paper mills grow in capacity, availability of recycled paper is expected to improve, pushing down the costs of recycled paper to manufacturers and, in turn, consumers. (Some vendors say they're not passing the whole cost along to consumers now.)

Other new green products include Esselte Pendaflex's EarthWise office line; W.T. Rogers' Regeneration office products containing reprocessed plastic; some Eldon products made with 25 percent recycled plastics; Tape Inc.'s mailing products made of all post-consumer recycled fiber; even scissor handles and rulers made of discarded styrofoam cups and trays, in Acme United's Kleen Earth line; and much more, including many items with reduced packaging.

While many drug chains are just beginning to see the green light, most are charging ahead with merchandising and advertising programs to maximize school/home office/stationery sales and profits. *Drug Store News*' survey found that three-fourths of respondents advertise the category year round; that half of them planned to increase BTS advertising and one-third planned to lengthen that ad period; that several chains are lengthening their second-semester and tax-time ad periods; and that more than half the respondents had increased their promotional space or endcaps devoted to category items by at least 10 percent during the last year.

The survey also reflected what buyers have been telling us for some time: Color and consumer willingness to trade up are keystones of this department's success.

Manufacturers responded this year with new products for the coming BTS season that feature the latest colors and themes, such as strong purples, teals, reds and greens (and still some neon); foils and holographic effects; and tropical and marine themes.

1990 stationery department highlights in chain drug stores

Chain drug stationery sales	$2,222,536,000
1990 percentage increase	8.1%
Percentage of total chain drug sales	5.1%
Typical gross margins	40% - 45%
1990 industry profit yield from stationery	$889,200,000 - $1,000,400,000
Average annual department turns	4.7

Source: *Drug Store News* 1991 survey of drug chains

1990 stationery department productivity in chain drug stores

Category	1990 total sales (add 000)	1990 % increase	% of category sales
Cards	$ 771,298	6.4%	34.7%
School, home office	701,424	10.5	31.6
Books & magazines	319,893	5.4	14.4
Writing instruments	145,622	12.5	6.6
Gift wrap	119,518	5.4	5.4
Social stationery	82,669	7.3	3.7
Disposables/party supplies	64,343	7.5	2.9
Art supplies	17,770	25.1	0.8
Total	$2,222,536		100.0%

Source: *Drug Store News* 1991 survey of drug chains

Greeting card makers find write way to stimulate growth

Greeting card valley in new Rx Place store features books down the center. Spinner of children's books and Kool-Aid display draw kids' attention while parent picks a book or giftwrap.

The high level of penetration of channels of distribution has spurred the major greeting card companies to cultivate other ways of stimulating growth. A main focus in recent years has been alternative cards, with Hallmark, Ambassador, American Greetings and Gibson generating a profusion of card lines to fit all non-occasions and a number of population niches.

The major vendors have also looked to merchandising and marketing innovations to increase product selection in the same space allotment, enhance product visibility, encourage impulse sales and improve productivity for retailers.

Consumers have never had more types of cards with which to communicate their feelings. From Ambassador in August came the 216-card "From Me. . .To You" line, one of the two largest card introductions in its history, featuring conversational messages and casual designs addressing love, friendship, family and support. Also in August, Ambassador introduced a line of 108 all-occasion cards for the Christian market, called "Sharing His Blessings."

Gibson produced "Because We're Family," covering a wide range of family situations and relationships. And American Greetings followed up the successful "Couples" line with its recently launched "American Greetings to the World" cards and "Pen Friend" program, as well as its environmental-statement line tied in with the National Wildlife Federation. AG also introduced "Kid Zone," riding the trend initiated by Hallmark with its earlier "To Kids With Love."

The dominant card companies have also stepped up their merchandising and marketing programs to enhance sales.

Ambassador's Season Plus in-store marketing program uses a unifying theme to highlight holiday seasons. This year's theme is Norman Rockwell artwork, in response to a perceived heightened interest in tradition, family and nostalgia. In its second year, Season Plus has expanded from six to nine holidays and has introduced a new print promotion in which customers can buy a Rockwell frameable print and matt for 99 cents with a three-card purchase.

Hallmark has mounted major marketing efforts, such as its coordinated media and in-store campaign last fall backing Shoebox Greetings. Gibson developed a modular merchandising system that can be adjusted based on a store's sales analysis of the department. American Greetings rolled out an "occasion merchandising" system, designed for larger card departments, that displays cards, wrap and other products together by occasion.

The major card companies are responding to environmental issues with plans to increase their use of recycled paper for cards. AG's "Greetings to the World" and Wildlife Federation lines are printed on recycled paper. Hallmark's Shoebox line and Ambassador's 450-card "My Thoughts Exactly" line are also being printed on recycled paper. Starting in May, these lines will be printed on recycled paper containing 10 percent post-consumer and 40 percent pre-consumer material and 50 percent "new" paper. Gibson is printing its spring promotional line on recycled paper. All these companies are changing over to water-based inks.

In gift wrap, the gift bag has emerged in the past two or three years as a growth area. While wrap sales grew roughly 5 percent last year, according to one estimate, gift bag growth was more like 20 to 25 percent. From a handful of designs and one or two sizes not long ago, gift bags now come in dozens of designs and at least 10 sizes.

It's not hard to see why bags have blossomed: They furnish a quick, easy way for today's busy woman—who buys most cards and wrap—to make a gift look attractive, and she's willing to pay a bit more for that convenience. Bags don't seem to be cannabilizing giftwrap sales, either, one giftwrap marketer said.

- **Almost 150 million cards are expected to be exchanged this Mother's Day, May 12.**
- **More than 100 million Father's Day cards will be exchanged this year for Father's Day, June 16.**
- **More than 80 million graduation cards are expected to be exchanged this year.**

Source: Ambassador

Greeting cards targeted to those in Persian Gulf

Some greeting card companies turned on a dime in reaction to events in the Middle East.

One vendor was even able to respond to the cessation of hostilities with a small selection of cards welcoming back the troops.

Ambassador's "Mail Call" started shipping April 4. The eight-card promotion, with special in-store signage, has messages to celebrate the homecoming. The company, which said the cards were developed because customers requested them, is donating 5 percent of retail of each card to the American Red Cross.

American Greetings launched a 24-card "America Misses You" line in February, with red, white and blue signage, plus a line for military personnel to send stateside, called "Greetings from the Gulf."

Hallmark in February whipped out four new cards in its "Just How I Feel" line in support of service men and women overseas. Now that they're returning, it hasn't added homecoming sentiments, because existing messages, such as "It'll be wonderful to see you again," are appropriate, a spokeswoman said.

Gibson introduced a 16-card line mid-March, called "Design U.S.O.," that includes messages about "missing you," "proud of you," and the like, although there's no specific "welcome home" message.

Non-occasion card lines offers consumers many ways to express their feelings, shown here at Gristede's Super D, N.Y.

1990 photo/video department productivity in chain drug stores

Category	1990 total sales (add 000)	1990 % increase	% of category sales
Film	$ 705,111	7.4%	37.7%
Still color	476,461	7.8	25.4
Instant	221,671	6.5	11.8
Still B&W	6,979	6.3	0.4
Processing	709,933	9.8	37.9
Accessories/flash	240,000	1.7	12.8
Blank video cassettes	159,872	6.6	8.5
Cameras	58,085	1.5	3.1
Total	$1,873,001		100.0%

1990 photo/video department highlights in chain drug stores

Chain drug photo/video sales	$1,873,001,000
1990 percentage increase	7.3%
Percentage of total chain drug sales	4.3%
Typical gross margins	20% - 25%
1990 industry profit yield from photo/video	$374,600,000 - $468,300,000
Average annual department turns	9.0

Source: *Drug Store News* 1991 survey of drug chains.

EXPRESS PHOTO
ONE HOUR PROCESSING
FILM DROP
FILM DROP
FILM DROP
Nothing looks better

Minilabs help spur sales at chain drug photo counters

Where was the action in photofinishing in 1990? In more and more drug stores, combo stores, superstores and discount houses, it was at the one-hour photofinishing counter.

The growth of on-site minilabs was much of the reason for the steady rise in market share which drug stores and supermarkets have been carving out of the photofinishing business. In 1989, the last year for which figures are available, drug stores processed 23.3 percent of the 750 million rolls of film turned in by the nation's shutterbugs, according to the Photo Marketing Association. That compares with 22.6 percent the previous year.

In so doing, the drug store channel racked up 22 percent of the $5.34 billion spent on film developing, compared with 21.5 percent the year before.

The percentage of that business which goes through in-store minilabs in drug outlets is still small, but it's growing rapidly. In 1988, the in-store labs accounted for 1.2 percent of the nation's processing business in rolls developed and 1.3 percent in dollars; by the next year, the numbers had shot up to 2.3 percent in units and 2.9 percent in dollars. Meanwhile, according to the PMA, the amount of processing business done by wholesale labs for drug chains continues to decline.

Clearly, the on-site processors can spark business. Revenues for photofinishing were up another 8 percent last year for all drug chains combined, to well over $700 million.

What's more, those figures are just beginning to reflect the recent installations of the latest generation of compact, easy-to-operate minilabs that many drug and food chains began installing in test stores over the past year and a half. Both Revco D.S. and Perry Drug Stores, for instance, have put the PhotoGo ultra-compact minilab system in some stores in recent months.

One store manager told *Drug Store News* the system drew a steady and growing business.

Advances in mini-lab technology have been dramatic in recent years. Whereas older systems required plumbing hookups, considerable floor space and a relatively well-trained crew to work them, newer minilabs available to drug stores and other non-photo retailers are self-contained, easy-to-operate and small enough to park almost anywhere in the store. Some are small enough to set on a countertop at the photo service area.

These breakthroughs in minilab technology have been enough to lure a number of major drug and combo chains back into the one-hour business. Although Eckerd Drug in the U.S. and London Drugs in Canada remain the undisputed leaders in chain drug one-hour processing, retailers like Walgreens, Perry and Longs are moving ahead with additional minilab installations. Combo store and discount chains, meanwhile, are taking advantage of their huge floor spaces to add one-hour photo labs in newer and remodeled locations. Along those lines, Randall's Food and Drug, Tom Thumb/Page, Wal-Mart, Smith's Food and Drug Centers, Fred Meyer and ShopKo are rolling them out—often within their own alcove at the front of the store.

> *Clearly, the on-site processors can spark business. Revenues for photofinishing were up another 8 percent last year for all drug chains combined, to well over $700 million.*

Chains fine-tune photo service, promos

Eager to wring more dollars and market share out of the profitable photofinishing and film business, drug chains have made the photo department a high priority in terms of service, promotion, space and positioning.

Seattle's Bartell Drug Co., for instance, has redesigned newer stores to position photo and video products within a high-impact "Sight and Sound" alcove at a front corner of the store. Service and innovative promotions have also been a big factor in Bartell's ability to wrest photofinishing and film market share away from competitors.

"Film sales have been rather flat, but we're getting our fair share of the business, and we're probably one of the stronger photofinishing sources in our market," noted Paul Lofgren, photo and sundries buyer for Bartell. "Nothing seems to (sell film and photoprocessing) better than seasonal and holiday specials, and the fact that we run full-service departments."

Pay Less Drug Stores and Perry Drug Stores have also made the photo counter a focal point in their new generation of store formats. Notes Perry in a recent report, "This traffic-building department had sales of almost $20 million representing the processing of about 2.5 million rolls of film, an 8 percent increase over fiscal 1989. This department, with only 60 square feet, generates a higher profit per square foot than many other departments."

Walgreens, meanwhile, has begun a long-overdue overhaul of the way it handles its photofinishing business at the point of sale. In March, the chain began installing a new, computerized scanning system at its photo counters to speed up drop-offs and returns. The system, built into the POS registers in the department, scans photo orders and prints labels and receipts automatically.

"It's to the photo clerk what Intercom is to the pharmacist," said Walgreen president Dan Jorndt. "It allows us to identify regular customers, and eliminates the need to ask the same questions of them over and over again."

Modest gains in fierce blank tape market

The market for blank videotape regained a bit of growth momentum in 1990 after a prior-year dropoff, thanks to a pickup in sales of VCRs and the growing popularity of lower-priced camcorders.

According to the Electronic Industries Association, sales of blank videocassettes approached 300 million units last year after dipping to 285.6 million the previous year. The competitive price-cutting also showed signs of abating last year as retailers and tape manufacturers tried to nudge consumers into higher-grade, higher-priced blank tapes.

Virtually all tape manufacturers have added premium-quality tapes to the upper end of their lines. In addition, 8mm tape sales are growing at a rapid clip.

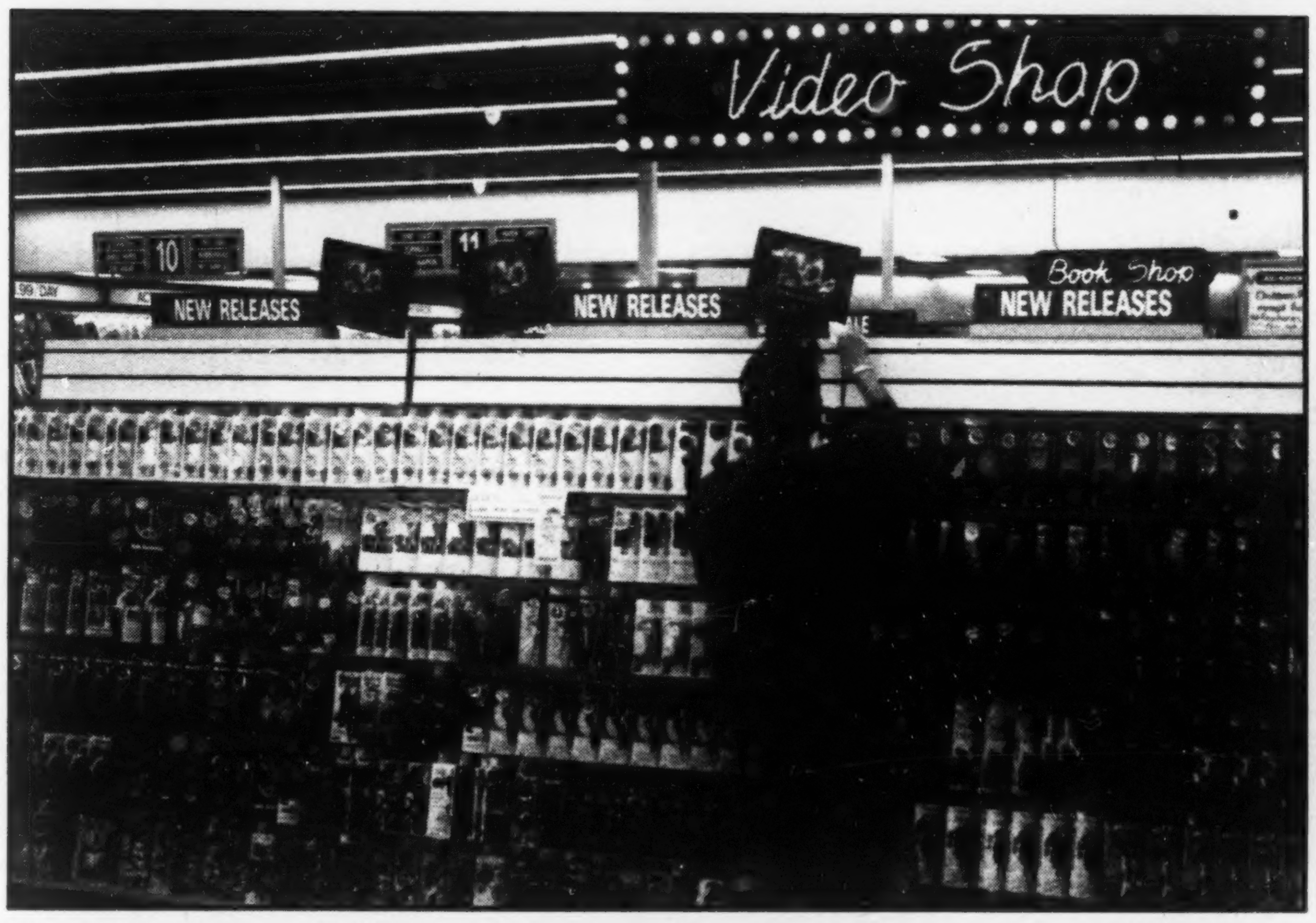
Roughly 20 percent of blank videocassette sales are now in high-grade or compact-size formats, according to 3M Corp. Drug chains are trying to niche those products as a way to offset the fierce competition in the tape category, which cut deeply into margins for the category since the mid-1980s.

To stabilize margins, many drug chains and other mass merchants are also treating blank videotapes more like an impulse item than they used to, with secondary locations and checkstand merchandising. Discounted multipacks continue to be a mainstay, however, and price sensitivity remains extremely high in many markets.

Competition also remains fierce in the video rental arena, with the shakeout of many mom-and-pop video outlets continuing. Nevertheless, some smaller and medium-sized drug chains and many food/drug combo operators remain stubbornly committed to the business. Indeed, many combo chains—including Randall's, Kroger, Tom Thumb/Page, Smith's Food and Drug and Hannaford/Wellby—have succeeded in making their well-stocked video rental departments a full-fledged, steady contributor to the bottom line. And off-price giant Phar-Mor continues to expand its video sections with a rock-bottom price strategy.

Blank audio cassettes, meanwhile, continue to enjoy modest but steady gains in unit sales and revenues. According to the EIA, factory sales of blank audiotapes rose a few percentage points to roughly 400 million units last year. Showing sharper unit and dollar gains are blank floppy diskettes, which have become a nearly $1 billion category in a few short years. An estimated 566 million floppies were shipped in 1990, the electronic industry group reported, compared with an estimated 493 million units the previous year.

Competition is fierce in video rentals, with the shakeout of many mom-and-pop video outlets.



Kroger Co. has unveiled full-scale in-store video shops in its newest generation of combos, complete with a mid-floor service island and a broad offering of new and older titles.

Video Tape Rentals
69¢
COMEDY

Phar-Mor has gotten serious about its video rental business, which still offers rentals at the rock-bottom price of 69 cents a night and $1.50 for three movies.

Film sales growth flatten but consumers willing to trade up

A recession and a mature market slowed the growth of the film industry in 1990, but consumers showed a tendency to trade up to faster, more expensive films as their sophistication in 35mm photography increased.

"There's a growing awareness of the need to match the right film speed to the correct setting, and consumers are becoming much more aware of the ISO setting," said Rod King, senior marketing manager of Fuji Photo Film U.S.A. "If retailers push 200- and 400-speed films, they're going to have happier consumers."

Meanwhile, 35mm continued to gain as the vastly preferred film format. More than eight of every 10 exposures is now 35mm, according to the Photo Marketing Association. Despite the shifts in usage patterns, however, the growth rate of film sales has slowed considerably since the heyday of the mid-to-late 1980s, when point-and-shoot 35mm camera sales and the economy itself were exploding.

"Film sales seem to have grown only minimally this past year—about 2 or 3 percent," said Harold Martin, editor of the Wolfman Report, an industry bible. "The reason was partly the recession, but also because it's become a very, very large market. You're talking about roughly 17 billion exposures made, so every one percent is 170 million exposures."

Adds the PMA, "Expansion throughout the 1990s is expected to slow. This fact, however, obscures a fundamental reality. The base from which movement will occur is more than 60 percent higher today versus 1980."

Echoing the reality of a maturing, but important market is Polaroid Corp. president and ceo I. MacAllister Booth. "The deepening U.S. recession and economic uncertainty abroad present us with a difficult challenge in 1991," Booth said in February. "These economic obstacles. . .make our outlook very cautious for this year."

Eastman Kodak, Fuji and other manufacturers echo that caution. However, the major film makers are all keeping the heat on with new-product development.

Film makers are keeping the heat on with heavy promotional schedules.

American Stores has made the photo department a big drawing card in its newer Jewel/Osco combos, with many photofinishing options.

1990 candy department productivity in chain drug stores

Category	1990 total sales (add 000)	1990 % increase	% of category sales
Bagged	$632,954	5.9%	40.7%
Bars	459,102	6.5	29.5
Boxed	299,631	4.5	19.3
Chewing gum	141,241	7.4	9.1
Other	23,453	3.8	1.5
Total	$1,556,382		100.0%

Source: *Drug Store News* 1991 survey of drug chains

1990 candy department highlights in chain drug stores

Chain drug candy sales	$1,556,382,000
1990 percentage increase	5.9%
Percentage of total chain drug sales	3.6%
Typical gross margins	25% - 30%
1990 industry profit yield from candy	$389,000,000 - $346,800,000
Average annual department turns	7.5

Source: *Drug Store News* 1991 survey of drug chains

Consumer sweet tooth generates gain in candy sales

Candy sales maintained their momentum in chain drug stores last year, especially seasonal candies and bar candies.

Overall candy sales increased 6.1 percent to $1.6 billion, as chains continued to use promotion and high department visibility to capitalize on consumers' well-known sweet tooth.

Chocolate bars remained a department mainstay, but gum, bagged candies and boxed candies also did well, particularly leading brands like Wrigley, Topps , Amural, Russell Stover, Whitman's and Brachs.

However, because candy is a mature category, most drug chains expanded space only at Christmas, Valentine's Day, Easter and other key holidays.

At some chains, sales were even stronger than the overall average.

At Taylor Drug, Louisville, Ky., for example, candy buyer Cindy Mazza reported that her everyday candy sales were up almost 10 percent last year, but when seasonal candy sales were included, Taylor's category growth was close to 25 percent.

In previous years, the candy category has been helped by a surge of product introductions, but last year there were fewer launches.

M&M's new P.B. Max bars, the Worthers Butterscotch Mints from Stark Candy, Snicker's Peanut Butter bar and the newest flavors of M & M's candies have done very well, buyers said.

Reformulated line

Now that Hershey has reformulated the Peter Paul line, they have been doing much better in many stores.

M&M's new Peanut Butter flavored candies are doing fabulously. And so are Hershey's Almond Kisses and the Milky Way dark and milk chocolate bars.

Richmond, Va.-based Standard Drug likes to make a strong statement with candy.

They consider it one of their pivotal categories. Standard has the largest variety in its market and each fall, the chain kicks off seasonal sales with a month-long Chocolate Festival.

Buyer Ray Putze said Standard has been holding the festival for about a decade, and each year sales have climbed dramatically.

The chain launches the promotion with a weekly ad and then uses banners and header cards from the major vendors to merchandise promotion throughout October.

In the gum category, Wrigley's is Standard's best seller, but gums featuring sport cards also do well. Putze said adults buy the cards as much as children. New Kids on the Block and Bart Simpson cards have also done well.

Another booming category is dietetic candy, particularly the Sorbee line.

David Fuchs, who buys candy for K&B, said that while he had a slow third quarter with candy in his markets, his Halloween sales were terrific.

"Hitting the right price points is the key to sales in this category," he said. "Multiples in Dollar Day ads and bagged candies retailed at $1.99 always do well."

Fuchs also says fairly good sales of Cristal — American Chicle's new sugar-free gum that doesn't stick to dentures.

Rick Burns, who buys candy for Snyder Drug, said his candy sales have been very strong. Russell Stover was recently added to Snyder's candy planogram and it has been doing very well.

Candy and snacks play an important role in Snyder's stores. Burns said they are good, strong traffic-drawing categories as well as very profitable.

Taylor's Cindy Mazza said candy sales growth was close to 25%.

Phar-Mor and other deep discounters have such high traffic counts that they are potent merchants of bagged candies, bars and gift boxes.

Cracker Jack
Pecan Log Roll
99¢
Marlboro
Butterfinger

Selected candy promotions direct consumers into candy aisle; children's toys keep young ones coming back at Rite Aid, Harrisburg, Pa.

Mini food marts in drug chains see 6 percent overall increase

1990 consumables department productivity in chain drug stores

Category	1990 total sales (add 000)	1990 % increase	% of category sales
Liquor/wine/beer	$ 915,433	4.9%	51.9%
Soft drinks	261,080	9.7	14.8
Snacks/cookies/chips	153,322	12.4	8.7
Nuts	141,485	4.9	8.0
Canned goods/condiments	76,061	4.4	4.3
Dry packaged groceries	70,657	6.2	4.0
Other foods	144,3[illegible]4	3.4	8.2
Total	$1,762,372		100.0%

Source: *Drug Store News* 1991 survey of drug chains

Convenience food sales maintained their upward growth curve in chain drug store last year with a 6 percent overall department increase.

The reason: more promotion of brand name packaged groceries and more emphasis on stocking an everyday assortment of high-demand products.

Today, several major drug chains have mini-combination food departments. Walgreens and Eckerd have been successful with this "store-within-a-store" concept, using high consumption groceries like milk, snacks, and canned and frozen entrees, to increase the frequency of shopper visits.

'Get your cold beverages'

Most drug chains also now have cold beverage sections in their stores where they stock juices, soft drinks and bottled water everyday.

Even bantam store operators like Rite Aid and Revco promote groceries often. They've started to learn they can go narrower but deeper on high consumption items that they can advertise at particularly low prices.

At Rite Aid, a spokesperson said grocery merchandising has worked well for the chain, successfully generating traffic and encouraging repeat visits.

Rite Aid uses groceries for in-and-out promotions, but concentrates on buying brand names in large quantities. "They give us the chance to offer our customers very good price values," said the spokesperson.

Like many other drug chains, Pay Less, Clackamas, Ore., has a well-stocked soft drink section, including 12-packs and 2-liter bottles.

This past Labor Day, Rite Aid featured only about 10 grocery items for its big Labor Day ad special. The previous year, the chain featured almost twice that many items, but this past year the chain ordered many more cases per item per store. "We're being more selective," said one source, "but also more aggressive."

Another major drug chain, which used to use groceries primarily as in-and-out promotions, has now changed its "role," as the vp of merchandising put it.

Because groceries pull people into their stores to make fill-in purchases, this chain has created an everyday planogrammed grocery section in all of its 1,000-plus stores. The section gets 6 to 9 feet; the assortment consists of the fastest turning consumables like coffee, tuna, canned meats and lunch or dinner snacks.

"At the end of 1990, we were promoting the same number of grocery items, in fact even more than we did in 1989," the merchandising exec said, "but now we're promoting items that we carry 52 weeks out of the year."

Currently, he estimates there are at least 70 dry grocery items in this chain's everyday grocery planogram which is also part of its snack and beverage set.

In Minneapolis, Snyder Drug is also considering an everyday planogram for groceries and so is Harco Drug in Alabama.

Rick Burns, who buys groceries and snack foods for Snyder, says the chain has been promoting groceries on an in-and-out basis for years and now believes that it "makes sense to think of stocking them everyday."

"Space is a problem, but groceries turn a lot faster than most GM categories and they pull people into your store."

At Harco, buyer Andy Horn says management is considering an everyday planogram for groceries possibly for sometime this year. Harco has used groceries as in-and-out traffic builders for several years now, and Horn says they sell very well.

"When we do our new prototype we might do a grocery section, and get away from the slower turning categories like glasses and automotive.

At Snyder, Burns has learned that the best items to carry are those that are highly consumable and with a dominant share of sales, the number one and number two brands, he says.

Some strong brands

Some of the brands that have worked best in Snyder stores are Dole pineapple, Hunts' tomato sauces, Nabisco crackers, Nabisco Teddy Grahams, Kool-Aid, Rice-A-Roni, Ralston snacks and Campbell's Microwave soups.

At Harco, Horn says his best sellers have been all types of snacks, chocolates, all kinds of canned meals, canned pastas, soups, canned meats and fish. V-8 juices, Duncan Hines cake mixes and Stove Top stuffing have also done very well in Harco stores.

In Richmond, Va., the 60-unit Standard Drug chain is also getting ready to do a grocery planogram. Buyer Roy Putze says groceries is one of his fastest growing categories with sales up in excess of 20 percent this year.

All Standard stores carry between 300 to 400 candy and snack items plus about another 300 grocery items.

They all also have Visa coolers for Coke and Pepsi and Putze says they are a great drawing card for traffic be-

continued on next page

Walgreens, which blazed the trail of mini-convenience food centers back in the '70s, now has coolers and everyday food assortments in nearly all stores.

MEAT
MILK
JUICES
JUICES
BEVERAGES
BEVERAGES
GALLON MILK
GALLON MILK
LOW PRICE
DRINKS & JUICES
DRINKS & JUICES
SOFT DRINKS
SOFT DRINKS
SOFT DRINKS
199

Snacks' 12 percent increase help drug chains grow in mini-food mart sections

Continued from previous page

cause people appreciate the convenience of one-stop shopping.

Putze says groceries are a very important category for Standard. Unlike some traditional drug store categories like cough/cold medicines, groceries are a very profitable category.

"On some cough/cold items, we only make a nickel or a dime," he said, "but on groceries we can average twenty percent everyday. And it's also a very consumable category so it helps bring in people. You eat a bag of chips today and you're going to need another one tomorrow."

Snacks are one of the fastest growing of all grocery categories stocked by chain drug stores.

According to our annual chain drug survey, snack sales increased more than 12 percent in 1990. However, some chains reported increases as high as 30 percent on high consumption categories like potato chips, corn chips, and popcorn.

Shelf space growing

Many chains are continuing to give snacks more space, with space allocations increasing by an average of 10 percent in many chain drug stores.

This year, potato chips, corn chips and microwave popcorn stand out as the three fastest growing segments in snacks.

At Taylor Drug, Louisville, Ky., buyer Cindy Mazza reported that her snack sales were up over 30 percent versus a year ago.

Taylor has added Pepperidge Farm snacks to its planogram and Mazza said it was doing very well for them. Frito-Lay, Eagle and Nabisco are all showing above average growth, with Eagle snacks doing exceptionally well.

If the going's tough the tough eat canned meat

Roy Putze of Standard Drug says the chain has always done well with groceries, but he thinks it's possible the recession may be helping sales go up even more dramatically this year.

"When times get rough, people go back to eating canned meats like Hormel corned beef or Chef Boy-Ar-Dee pasta," he said.

"We take an item like Bumble Bee Salmon and price it between $1.99 and $2.39 and we sell it like crazy."

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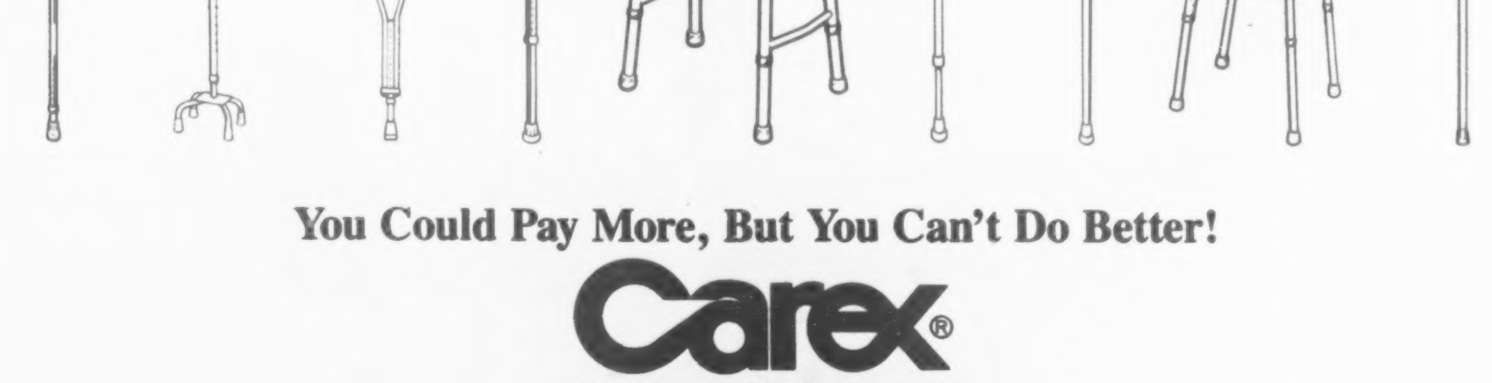

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Snacks and beverages make sweet sales for chains

Sales of microwave popcorn, as well as bagged popcorn, continue to explode. In some sections of the country, the light popcorns as well as the light corn and potato chips are growing faster than the overall salty snack category. Golden Valley's Act II microwave popcorn seems to have had an exceptionally good year.

"It's a very good value and consumers seem to love it,' said Standard's Roy Putze.

Standard advertises Act 11 every 45 days, says Putze, usually featuring the single packs at two for 89 cents or two for $1.

The vp of merchandising for a major Southern drug chain said that now that manufacturers can control the oil content in popcorn and other snacks, the category has been getting good press as healthier, which has helped sales.

He said the light formulas in microwave popcorn, potato and corn chips and cheese curls have all been selling well in his stores.

This chain too has expanded its snack food section by approximately three feet in the last year.

Frito-Lay products have done well in this chain, helped this source says by the emergence of a more "flexible program" that has benefited drug chains. Soft drinks have also done well here, both Coke and Pepsi, helped, in part he says, by the "excellent marketing of their manufacturers.

The nut category, however, has been one of the weaker segments of snacks, vulnerable as it is to crop shortages and abrupt price changes.

Last year the category was flat or down for most chains, and this year could be slow too since there has been another poor crop season.

Chips, which one buyer described as a price-driven category, Eagle was singled out for having one of the best "promotional programs" in the industry. One source said they had the best promotions with Eagle this year and it was partly because they did so many buy-one-get-one-free promotions.

"We didn't have to discount at all," said this source. "We sold one bay at the regular price, and the consumer got the other for free. It was good for us and it was also a great consumer value."

Roy Putze at Standard Drug says that Sunshine's little peanut butter crackers and the Nabisco crackers are selling extremely well and VeryFine juices have been "excellent."

Putze says the 60-store chain easily turns a truck-load a week, with most of the sales coming from cold juices.

The food chains in Standard's markets all have their own house brands of soda as a price value alternative to Coke and Pepsi. Putze, however, uses Shasta beverages, which he warehouses, to compete in that niche and he says that at 99 cents a six pack, he sells tons.

Bottled waters are also doing well in Standard stores, North Country in particular.

Putze says his snack sales are up at least 30 percent this year, with the growth coming from microwave popcorn, potato and corn chips, juices as well as from canned meat snacks from companies like Chef Boy-Ar-Dee and Hormel.

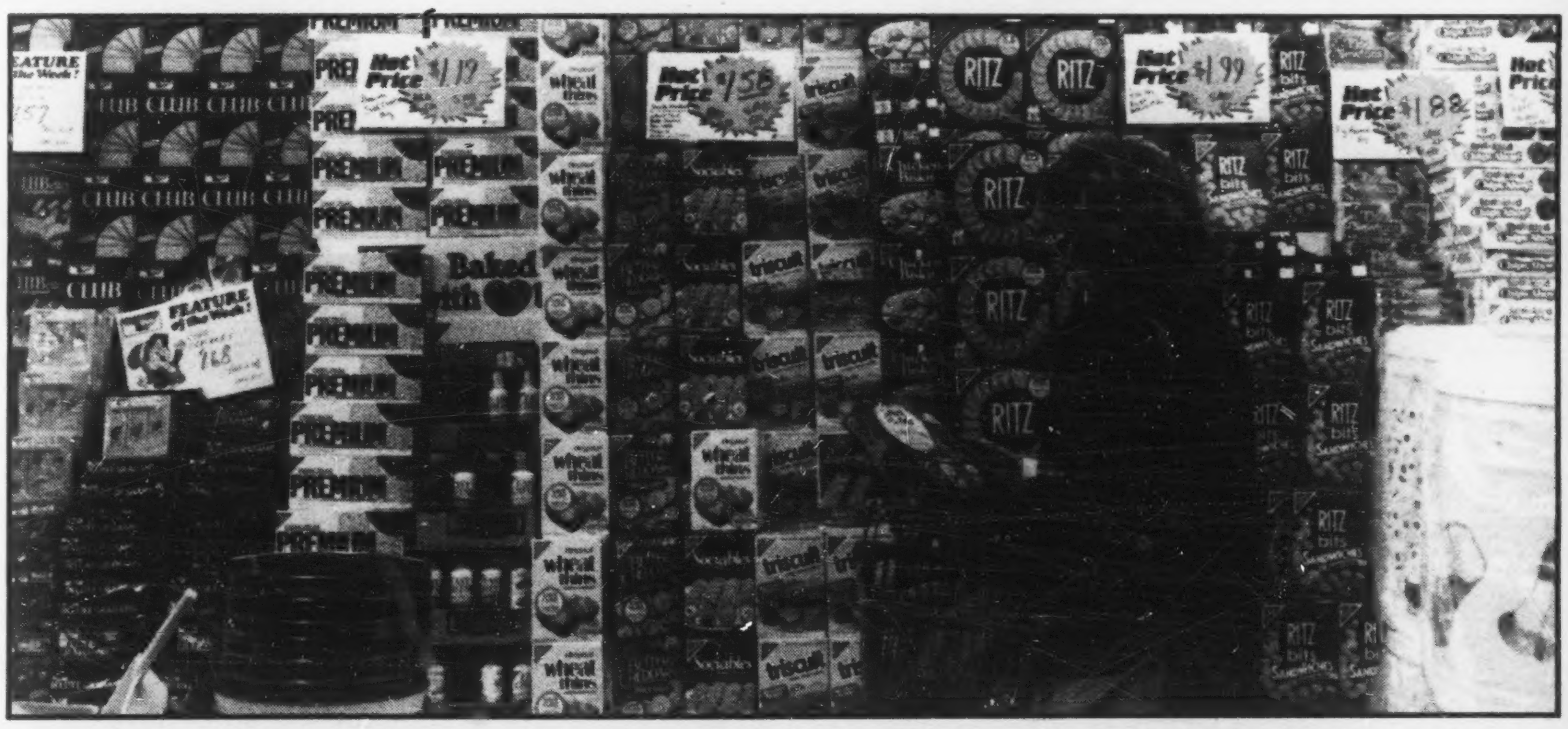
Rick Burns at Snyder Drug says his snack sales are also up about 20 percent. Snyder is in the process of expanding its snack department and Burns is considering taking the popcorn and nut section out of the candy department and putting it in with chips. He'd also like to add crackers to his everyday planogram.

Crackers right now are just in and out promotions at Snyders, but Burns says they sell well enough to justify permanent placement.

1990 consumables department highlights in chain drug stores

Chain drug consumables sales	**$1,762,372,000**
1990 percentage increase	**6.1%**
Percentage of chain drug sales	**4.1%**
Typical gross margins	**15% - 20%**
1990 industry yield from consumables	**$264,300,000 - $352,400,000**
Average annual department turns	**5.2**

Source: *Drug Store News* 1991 survey of drug chains



Mass displays of national brands at hot prices characterize the deep discount approach, as at A.L. Price in Detroit.

Deep discounter Price Less in Sacramento, Calif., shows another side: well-fronted groceries in-line. Note cut cases above.

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1990 tobacco department highlights in chain drug stores

Chain drug tobacco sales	$2,563,502,000
1990 percentage increase	3.5%
Percentage of total chain drug sales	5.9%
Typical gross margins	15% - 20%
1990 industry profit yield from tobacco	$384,600,000 - $512,800,000
Average annual department turns	15.3

Source: *Drug Store News* 1991 survey of drug chains

1990 tobacco department productivity in chain drug stores

Category	1990 total sales (add 000)	1990 % increase	% of category sales
Cigarettes	$1,756,017	4.2%	68.5%
Cigars	368,269	1.8	14.4
Lighters/smoking accessories	238,805	2.3	9.3
Tobacco/tobacco products	173,312	2.4	6.8
Pipes	27,099	3.2	1.1
Total	$2,563,502		100.0%

Source: *Drug Store News* 1991 survey of drug chains

Cigarette sales grow in an increasingly complex market

Retail sales of cigarettes grew five percent over the past year despite the continued two percent downturn in unit consumption. Drug chain performance paralleled this trend, industry sources told *Drug Store News*.

Careful attention to assortments and convenient displays lifted cigarette sales, as did pass-alongs of manufacturer price increases and taxes. Vendor price hikes on full-priced brands totaled $5 per 1,000 cigarettes in 1990, and varied within the price-value segment, said John Maxwell, analyst at Wheat First Securities.

In 1991's first quarter, a hike of five cents on the federal excise tax kicked in, and a new hike on price-value smokes was seen. Two more price increases will come in 1991 as the vendors continue to cover their costs of business, said Maxwell.

The average national price for a pack of cigarettes by year-end 1990 was $1.60, including 71 cents of taxes.

Retailers had to pass the taxes and price hikes through to maintain decent margins, and in many cases conform to state minimum gross margin laws.

With carton margins of 10 percent, single packs' 20 percent-plus, fast-turning tobacco is a high-profit category. At 15 annual turns, tobacco ranks as one of the fastest movers at drug chains.

The continued growth of higher-margin price-value styles added to retailer profits. Price-value, including generics and "black and whites," now capture close to 20 percent of the market. Doral, R.J. Reynold's branded generic, climbed two notches within the top ten rankings, to claim seventh place with a 4.3 percent share.

The industry expects price-value styles to expand as price hikes and taxes drive full-price brands beyond more consumers' wallets. Single-pack sales are also growing, as carton prices reach higher into the double-digits. And two-for-one promotions are increasingly popular.

Fixtures with electronic security systems have helped convince drug chains to use self-service displays—but many store operators still prefer behind-the-counter presentations, which poses space concerns.

"We have to be selective because our counter space is limited," said Ken Fossaceca, merchandiser, Medic Discount Drug in Cleveland. Unless a vendor offers an "extremely good" display promotion, cigarettes remain in a clerk-serviced area at the 23-store chain.

"Sales were decent in 1990. We saw an influx of generics and sub-generics," Fossaceca said.

At Begley/Health Mart, generics have grown five percent since being introduced to the former Eckerd stores earlier this year, said Jim Hobbs, senior merchandise manager.

Most of the Begley stores openly merchandise cigarettes at the checkout and on a three-foot endcap. "We haven't had excessive problems with shrink," says Hobbs.

Chains prefer to keep a low profile on tobacco, as states, communities and the federal government focus increasingly on tobacco as a health hazard. This can have a direct impact on the retailer, as when a Boston convenience store was sued for selling cigarettes to minors. Nearby Newton, Mass. proposed a law banning cigarette sales in drug stores.

California, meanwhile, claims that a new program which taxes cigarettes to pay for health education and anti-smoking advertising is directly responsible for a significant decline in the number of state adult smokers.

Cigarette lighter sales picked up in 1991's first quarter due to the end of the Persian Gulf war. The war and the recession had dampened sales, as buyers would forgo purchasing lighter promotions, said Pete Delin, vp gm, Cricket.

TOBACCO
CHECK-OUTS

Drug chains emphasize single-pack sales for margins and prefer behind-the-counter service, as at Genovese, Bay Shore, N.Y.

The Top 10 Brands of Tobacco

(Estimated full-year comparisons*)

Brand	1989 Units	1989 Share	1990 Units	1990 Share	% Change
Marlboro (PM)	138.02	26.3%	137.84	25.1%	(0.1)
Winston (RJR)	47.40	9.1	46.66	8.8	(1.6)
Salem (RJR)	32.34	6.2	32.67	6.2	1.0
Kool (B&W)	31.18	5.9	26.00	4.9	(16.6)
Newport (Lorillard)	24.66	4.7	24.88	4.7	0.9
Camel (RJR)	20.37	3.9	23.22	4.4	14.0
Benson & Hedges (PM)	20.33	3.9	18.50	3.5	(9.0)
Merit (PM)	20.12	3.8	18.40	3.5	(8.5)
Doral (RJR)	19.03	3.6	22.89	4.3	20.3
Virginia Slims (PM)	16.54	3.2	16.10	3.0	(2.7)
Total top 10	369.99	70.6%	367.16	69.6%	(0.8)

** Units in billions. Includes filter and non-filter.*
Source: John C. Maxwell Jr.

Tobacco Company Sales and Market Share

(Estimated full-year comparisons)

Company	Units* 1989	Units* 1990	Units* % change	Market share 1989	Market share 1990	Market share Chg
Philip Morris	219.54	221.00	0.7	41.9	41.9	0.0
R.J. Reynolds Tobacco	149.43	156.99	5.1	28.5	29.7	1.2
Brown & Williamson	59.46	55.70	(6.3)	11.4	10.6	(0.8)
Lorillard	41.80	40.54	(3.0)	8.0	7.7	(0.3)
American Brands	36.61	35.85	(2.1)	7.0	6.8	(0.2)
Liggett	17.04	17.67	3.7	3.2	3.3	0.1
Total	523.88	527.75	0.7	100.0	100.0	—

**—Units in billions.*
Source: John C. Maxwell Jr.

The sun rises on chains' houseware market as cookware, bakeware, personal care standout

The Housewares Show in Chicago this January offered a noteworthy array of products targeted to drug stores, and drug chain buyers showed a keen interest in the merchandise.

"Drug stores are growing as a viable channel for the housewares business," said Kimberly Rawn, a National Housewares Manufacturers Association spokesman.

Rawn said growth in the housewares department is fairly steady, with a few standout categories. Those include storage containers, cookware and bakeware, some personal care items and some electric appliances.

Drug chain buyers zeroed in on those categories and others at the show, paying particular attention to personal care products with mandated electric safety features, as well as new dental care devices and facial massage products.

They also sought out new storage items, which many chains are finding to be fertile ground to cultivate.

In addition to organizers for closet, kitchen and bath, there is an increased selection of storage bins and holders for household recycling collection this year, as more communities, counties and states gear up to mandate recycling.

Drug chains generally see housewares as a steady, basic business, with serviceable, durable plastic and rubber items such as dishpans and refrigerator containers among department mainstays.

Buyers look for new housewares products to add excitement to their basic business, and they had plenty to choose from this year, as the show amply demonstrated. Among items that drew particular interest: water filtration systems, which more drug chains are bringing in; a hand-held blender; shower massage devices; plaque removers; iced tea makers; and diffuser hair dryers.

In the light bulb segment of housewares, the standard incandescent A-line, the bread and butter of chains' light bulb business, is being challenged.

Vendors have launched low-wattage halogen and fluorescent bulbs with the dual claims of using energy more efficiently and saving customers money on light bills. General Electric's Energy Choice and GTE-Sylvania's Energy Saver lines even come in green packaging to underline their earth-friendly claims. Philips expects strong results from its fluorescent Earth Light and the HalogenA.

The fluorescent screw-in lamp is especially efficient: the 27-watt Circlite fluorescent, for example, lasts 10 times longer than the 75-watt soft white, for a $38 savings in energy costs over its life.

Low-wattage bulbs, which provide about as much light as incandescents, save electricity. A large percentage of electricity is produced through the burning of fossil fuels, and in burning, fossil fuels emit noxious gases that contribute to smog, acid rain, ozone depletion and other effects that harm the environment.

Drug chain buyers differ on the potential for A-line halogen bulbs in drug stores. Some feel the price points of these lights—more than four times the price of standard incandescents—aren't compatible with a discount image. Others argue that consumers familiar with halogen through automobile lights will respond to its claim of longer life.

Picture frames

The emphasis on home decor and creating a comfortable environment bodes well for picture frame sales.

Intercraft and American Greeting's Acme division, both prominent frame suppliers, were joined last year by Holson, the photo album maker. Many retailers, including Walgreens, find frames warrant everyday space and are effective in promotions related to photofinishing.

Holson's line is positioned as an "upscale alternative for mass merchants," with price points typically $10-$20.

Chains are finding that storage containers are fertile ground to cultivate.

The incandescent A-line light bulb, drug chains' bread and butter in this section, is being challenged.

1990 housewares department highlights in chain drug stores

Chain drug housewares sales	$2,457,899,000
1990 percentage increase	1.9%
Percentage of total chain drug sales	5.7%
Typical gross margins	35% - 45%
1990 industry profit yield from housewares	$860,300,000 - $1,106,100,000
Average annual department turns	3.0

Source: *Drug Store News* 1991 survey of drug chains

In housewares departments such as in this A.L. Price store in Detroit, sturdy plastic and rubber dishpans, laundry baskets and the like provide bread-and-butter business.

1990 housewares department productivity in chain drug stores

Category	1990 total sales (add 000)	1990 % increase	% of category sales
Plastic and rubber housewares	$ 539,042	1.6%	21.9%
Household supplies	292,995	1.3	11.9
Personal care	278,320	1.3	11.3
Small electrics	222,314	1.7	9.0
Glass/dishware/cookware	198,426	0.3	8.1
Paper products	197,351	5.2	8.0
House & kitchen gadgets	137,941	1.4	5.6
Lighting products	125,666	7.3	5.1
Picture frames/mirrors	86,374	8.1	3.5
Insecticides	69,290	−3.8	2.8
Plants/plant care	57,071	4.1	2.3
Furniture/outdoor furniture	56,950	−2.7	2.3
Bath/closet	44,753	3.2	1.8
Giftware	29,444	3.4	1.2
Vaporizers/humidifiers	26,520	4.5	1.1
Miscellaneous	95,442	−1.6	3.9
Total	$2,457,899		100.0%

Source: *Drug Store News* 1991 survey of drug chains

General merchandise sales have big impact

General merchandise lit up drug stores with some of the most dynamic products in 1990. Batteries and toys are crucial profit centers; pantyhose, sunglasses, watches and jewelry underscore the fashion image operators seek; automotive chemicals are effective traffic draws.

And home lighting products, which are covered in this issue's housewares section, offer some of the most exciting product innovations. Their economics and energy savings make sense for consumers and retailers, who benefit from the trade-ups and love the traffic draw of bulbs.

Clearly, reports of the demise of general merchandise in drug stores have been exaggerated.

Batteries

Drug stores are in a heated battle with food and discount stores for battery market share. The category is critical to this trade class, since people replenish frequently, buy them in many areas of the store (in home displays, at checkstands and near displays of devices they drive), and have accepted high-ticket multipacks as convenient ways to stock up.

Overall, battery dollar sales grew 7 percent in 1990, and drug chain performance parallelled that.

Batteries are the most profitable item at the checkout, the *Drug Store News* Checkstand Merchandising Survey found. Chains emphasized promoting multipacks which appeal to the heavy users who account for 70 percent of all household battery volume.

Batteries gain wide distribution

(1990 share by trade class)

Store type	Percentage of sales
Mass merchant	21
Food	21
Drug	20
Hardware	8
Wholesale clubs	5
Convenience	4
Other	21

Source: Eveready

Last year, chains emphasized promoting battery multi-packs, which helped lead to their overall 7 percent dollar sales increase.

Meanwhile, rechargeable batteries continue to wait for their day in the sun. Chain buyers are concerned about the high price points of recharging systems and feel consumers need to be educated about the advantages and uses of rechargeables.

Drug chains are aggressive sellers of flashlights, both at the low- and high-ends of the market. Premium lights with new features, styling and colors at under $15 are a growth segment, as are economy models, personal, and squeeze lights at under $2.

The major battery vendors have valiantly addressed earth-friendly issues, while at the same time insisting that batteries aren't hazardous. Batteries, in any case, continue to be a target for environmental groups.

Eveready, Duracell, Rayovac and Panasonic have each reduced the mercury content of alkalines to 0.25 of one percent. Several states are now proposing laws that require zero mercury levels, and new non-mercury claims will most likely begin to appear on packaging. Vendors led by Eveready have also introduced shrink-wrap packaging that cuts back 70 percent of waste and uses recyclable materials. The packages are also far more space-efficient for denser packing on displays.

Chemicals inside alkaline batteries can't yet be recovered economically. But vendors contend the contents of the cells—except for the mercury—are benign, and studies have repeatedly shown that no metals leak from battery-containing landfills.

Hair accessories

Increased emphasis on grooming and health are propelling sales of hair accessories, including combs, brushes, hair and head ornaments.

While items under $2 capture many impulse sales, today's customer also seeks value in items such as barrettes and—strong performers in 1990—head bands and hair wraps. Head bands are perennially strong performers, and hair wraps should stay strong into 1992, industry sources feel. They've "become a basic part of dressing for most women today," one source observed.

Also strong in 1990: the pony-tail look.

Naturally, fashion is key to this high-margin segment. For 1991, Goody is betting on its Sport line of hair accessories in bright colors and black. Other suppliers, such as Sekine, Conair and Wilhold build followings with their own distinctive looks.

1990 general merchandise* highlights in chain drug stores

Chain drug general merchandise sales	$2,895,191,000
1990 percentage increase	3.3%
Percentage of total chain drug sales	6.7%
Typical gross margins	35% - 45%
1990 industry profit yield from GM	$1,013,000,000-$1,303,000,000
Annual average department turns	4.9

* 1990 figures include toys

Source: *Drug Store News* 1991 survey of drug chains

Sunglasses

Sunglasses are becoming more of a niche business: different styles for different customer segments. Merchandising by lifestyle such as sports, fashion, or classic styles can make the category in the store more appealing and easier to shop.

The success of neon styles in 1990 underscored the importance of the youth market in driving sales. Vendors are making higher-quality product for this group.

Sunglass sales in 1990—for the seventh consecutive year—were over $1 billion. For the first time in 10 years, however, sales fell a bit from the all-time high in 1989 of $1.7 billion, to $1.665 billon, reported the Sunglass Association of America. Pairs sold in drug stores dropped from 18 million to 17 million.

1990 general merchandise dept. productivity

Category	1990 total sales (add 000)	1990 % increase	% of category sales
Toys	$ 848,147	1.4%	29.3%
Pantyhose/soft goods	293,736	3.2	10.1
Sunglasses	263,166	0.1	9.1
Batteries	245,361	6.4	8.5
Pet needs	208,135	7.1	7.2
Hardware	206,485	5.8	7.1
Automotive	198,315	4.9	6.8
Sporting goods	164,629	5.1	5.7
Watches/bands	139,824	9.9	4.8
Home electronics	130,132	4.8	4.5
Yarn/sewing notions	83,186	2.7	2.9
All others	114,072	4.8	3.9
Total	$2,895,191		100.0%

Source: *Drug Store News* 1991 survey of drug chains

Hosiery reaps the high ground; toys, jewelry see gains in key areas

While the toy industry experienced a flat year in 1990, drug chains with well-assorted toy departments found ample opportunity for high-margin sales.

Drug stores' success with toys depends largely on geography; a drug store can be a convenient outlet for toys—if they have the good fortune of not being too close to a Toys "R" Us or similar discounter.

Basics held the high ground again in 1990, enabling mass merchants to avoid risky investment in fads. Drug stores have traditionally done the best with lower-price-point board games, pegged items, pre-school, and action figures, which consumers expect to find in drug stores.

Trading cards keep building

And trading cards continue to sell well, driven by manufacturer quality that builds appeal, a low ticket and high-impulse checkstand displays. The introduction of lines for basketball, hockey and other sports broaden the consumer base of card buyers and build the market overall.

GI Joe, Batman and Teenage Mutant Ninja Turtles action figures and related merchandise under $5.99 were leading sellers at the New England retail accounts of Sanco Toy, a Foxboro, Mass. distributor, said Sanco co-owner Steve Sandberg.

Low-end Barbie dolls for under $12 such as Hawaiian Barbie and Fashion Play Barbie also sold well.

In board games, Milton-Bradley's "Scattergories" was strong. The Simpson's license is hot. Sanco accounts, which include Wellby Drug, Hannaford Brothers supermarkets and Thayer Drug in Connecticut scored high-velocity, high-margin sales with endcaps of Donatello, Raphael, Michaelangelo and Leonardo and friends.

Sandberg finds that drug stores are rediscovering toys—in part for their margins of 38 to 42 percent, and for the way they add to the stores' appeal to shopping families. One example: Hartford, Conn.-based Arthur Drugs put in a 68-foot Sanco program in its seven stores five years ago, vp Jay Mastriani told *Drug Store News*.

The result: profit gains from toys have helped make up for squeezed margins in the pharmacy from third party business.

"My toy business has increased, and it is increasing even more. Why, I really don't know," said Mastriani. One reason: the controlled, well-assorted inventory Arthur stores have by using a Sanco, which housekeeps and writes orders on a weekly or every-other-week basis. Also, Mastriani will "take advantage of a few extra points I make buying direct," as with a recent purchase of Playskool items in which Arthur benefitted from dated and "measured" product shipments.

Jewelry gains strength

The key to jewelry retailing: close contacts with suppliers for constant updating, maintenance and inventory control of sections.

Costume jewelry is gaining adherents—thanks in part to Barbara Bush's penchants for wearing fake pearls. Drug chains, indeed, see room to upgrade their "faux" jewelry selections—a strong part of their overall fashion statement—along with cosmetics and hair accessories. Price points are bound to stay under $20, buyers said.

Drug stores claim 8 percent of the watch market.

New fashion items are winding up consumer interest, and drug stores are becoming more aggressive and fashion conscious. The result: they can offer interesting new styles at price points of under $50, and they're often deeply discounted.

A recent hit: Timex's Ironman Triathlon. The Teenage Mutant Ninja Turtles licensed watch won favor, and some chains scored with the much-publicized Russian watch. Retailers are watching Southwestern themes, neon and sports celebrity-endorsed watches.

If the '90s will be a time of inconspicuous consumption, as some believe, few will want to flash expensive watches. "Anti-fashion will be the hip fashion," as one industry observer said. And people will want to buy several basic watches, a trend that would bode well for drug stores.

Action figures and dolls bring smiles

(Vendor shipments, sales in millions of dollars)*

Category	1990	1989	Percentage change
Dolls	1,284	1,071	19.9
Vehicles (powered and non-powered)	1,252	1,439	(13.0)
Infant/preschool	1,070	1,089	(1.7
Activity toys (building sets, art supplies, etc.)	1,052	1,149	(8.4
Games/puzzles	968	984	(1.6
Action figures	685	553	23.9
Ride-ons (excluding bicyles)	641	635	0.9
Plush	495	498	(6.0
All other toys	1,355	1,362	(0.5
Total (excluding TV video games)	8,802	8,70	0.3
Total (with video games)	11,866	11,314	4.9

*Survey of 73 companies that accounted for 55 percent of industry shipments in 1990 and 54 percent in 1989.

Source: Toy Manufacturers Association of America, The NPD Group, Inc.

Upgrading hosiery sections

With shopping convenience and fashion as key sales attractions, it is little wonder that pantyhose displays are often used as high-profile displays. Pantyhose are part of working women's uniforms—and women, it seems, can always use a back-up pair.

Not surprisingly, drug chains are beginning to stock more expensive hosiery to encourage consumers to trade up, and women are responding.

In colors, a shift toward "non-brown" tones has occurred in the past two years, with pinks and violets strong in the summer months. Black and off-black shades have eclipsed the "browns" as a basic item, outselling "browns" 6-to-1, according to one vendor.

Drug chains are also upgrading displays. Volt, for instance, has had success bringing a department store approach to merchandising: fabric swatches on packages allow shoppers to feel and see the items up close. The L'eggs Pantyhose Advisor gives computerized assistance for selecting the correct size and style.

Easy-to-shop merchandising systems, as in Genovese's Bronx, N.Y. store, are a big plus in organizing and selling hosiery category.

Standard Drug, Richmond, Va., makes a do-it-yourself statement with everyday stocking of automotive engine chemicals.

Oil/antifreeze sales off to smooth start; chains see more sales for reading glasses

Inroads made by quick lube outlets haven't hurt drug chains, which capitalize on the DIY market through sales of oil and antifreeze. The quick lube facilities held a 34 percent share of the motor oil aftermarket in 1990, and gain about 1 percent a year. The rest of the market—people with an urge to get their fingers dirty—buy their oil from retailers.

Drug stores often promote branded motor oil heavily as an effective traffic builder and a way to develop price image. Operators such as Rite Aid build margins with a solid private label program.

Drug retailers have largely conceded the auto accessories and parts businesses to other trade classes, but have developed a strong niche in chemicals that people replenish regularly and are willing to buy in such outlets of convenience.

Environmental activity recently surfaced in automotive in Massachusetts, which began enforcing a 1974 law that said retailers must be ready to accept used oil. While a state official had said large motor oil retailers would bear the brunt of enforcement, the drive caused such drug chains as CVS and Rix Dunnington to steer away from the business.

Overall, the DIY market continued to grow, despite a "dramatic slowdown" in the Northeast and West, reported the Home Improvement Research Institute. Home improvement sales, including consumer and contractor work, were $104.4 billion—up 3.6 percent from 1988, the trade group said.

Reading glasses

Product upgrades and new display systems have been the story in reading glasses this past year. More chains are jumping on this bandwagon, realizing that once consumers sense their value, sales will grow—especially with the aging population.

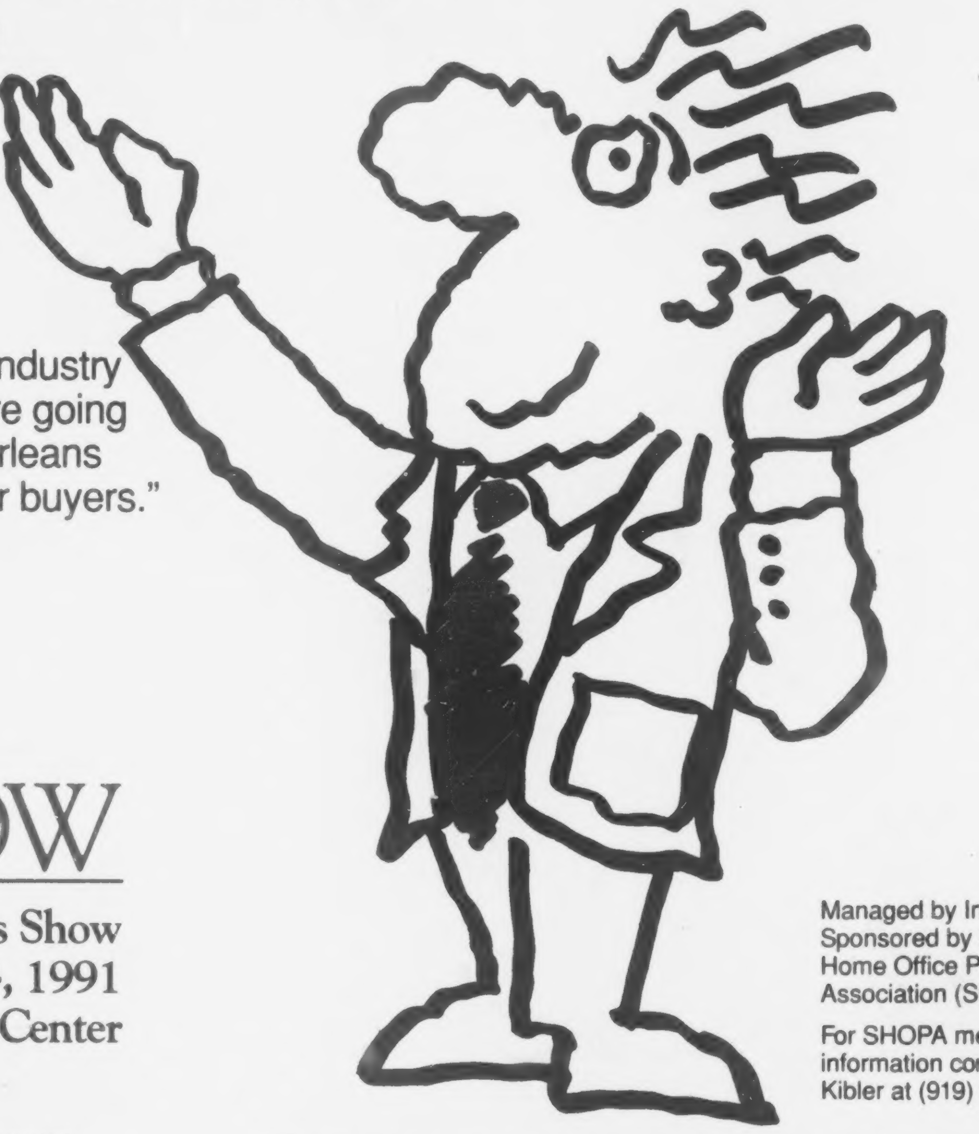
Pennsylvania Optical, the Bonneau division, launched the Roberto Morelli/Studio Optique 12-style designer line with hand-crafted frames which accommodate prescription lenses. Penn Optics also produced a new display system featuring color photography of real-life situations.

Opti-Ray developed the upscale fashion 16-style Optivision Reading-Specs line with upgraded fixturing. Magnivision unveiled the Gold Collection featuring fashion spring hinges; and, in its regular line, tinted bi-focals.

Lynn Roberts International, Crown Sunglasses, and Cable Car Sunglasses were among companies also gaining retailers' attention.

Vendor housekeeping is critical, even with new fixtures that deepen inventory and help relieve concern about out-of-stocks. Stores must also insure that glasses are placed in their correct slot when misplaced by shoppers.

Many buyers feel expanded assortments make sense, because shoppers often like to buy multiples as replacements and extra convenient pairs.



The Industry Spoke... and SHOPA Listened.

SHOPA...a newly formed School and Home Office Products Association of retail buyers and manufacturers

"Timing for the stationery trade show is very important. It must be scheduled to allow time to develop a recommendation for our stores' advertising and promotional plans."
—*Merry Ballweber, Fred Meyer*

"I want a four-day working show with appointments to preview products and programs with all my vendors. That's why I'm going to the SHOPA SHOW."—*Debbie Kelly, Walgreens*

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"Exhibiting at the SHOPA SHOW will save us money. New Orleans is one of the least expensive convention sites. But even if it were more, seeing buyers before decisions are made is the only efficient use of our resources."
—*Charlie O'Neil, Stuart Hall*

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Safeway stock sale will fund capital expenditures

OAKLAND, Calif. — Safeway has filed with the Securities and Exchange Commission a proposed public offering of 10 million common shares. Proceeds will help fund a five-year capital budget that doubles spending of the previous five years.

Safeway did not say how much it hoped to raise, but the stock was trading at $17 per share at the time of the announcement in mid-March, and it closed at $21.50 on April 12.

The shares would represent about 8 percent of outstanding shares on a fully diluted basis. Shares will be newly issued, and existing stockholders—including controlling owner Kohlberg, Kravis Roberts & Co.—will not be selling any of their shares, Safeway said in its registration statement.

Two of the eight million shares are being sold abroad, with the sale making 89.3 million shares outstanding.

KKR, which purchased the supermarket giant and took it private in a LBO in 1986, will own about 73 percent of outstanding common stock through two partnerships after the offering. Before the sale, it owned 82 percent of shares. Other investors, mostly management, own 2.7 million shares and options to purchase 6.8 million.

Safeway is funding a $3.2 billion five-year capital spending budget. About half the amount will be for new and replacement stores, 25 percent for remodeling and maintenance, and the rest for support operations such as distribution. The efforts will be in existing markets, which include Western and Northwestern states and markets in western Canadian provinces.

Having restructured extensively since 1986—mostly through the sales of $2.4 billion worth of assets and facilities—Safeway raised $120 million in April, 1990 with the sale of 11.5 million common shares.

Total debt has dropped from $5.8 billion at the time of the LBO to $3.1 billion in 1990. In the prospectus, Safeway said that sales have grown from $13.6 billion in 1988 to $14.9 billion in 1990. Operating profits went from $398.9 million in 1988 to $535.3 million in 1990, and from 2.9 percent of sales to 3.6 percent of sales in those years.

SGC hits black ink in fourth qtr., as 12-month earnings gain 9%

WOODBRIDGE, N.J. — Supermarkets General Corp. hit black ink in its fourth quarter, as 12-month operating earnings climbed 9 percent (including a one-time charge) from the previous year, the company reported.

For the quarter ended Feb. 2, 1991, the owner of Pathmark posted its first positive net earnings since its 1987 leveraged buyout. Net earnings were $4.7 million, compared with a $1.7 million loss in the comparable quarter last year. (The 1990 quarter included a $2 million restructuring charge).

The positive results were due to 6 percent higher operating earnings, which were affected by tighter expense controls and lower interest expenses. Fourth-quarter sales were $1.5 billion, 9 percent less than in the 1990 quarter.

For the year, which ended before the completion of a February recapitalization, sales were $6.1 billion, 2 percent less than last year.

Operating earnings were $194.2 million, 30 percent higher than last year, including a $36.2 million restructure charge last year.

SGC showed a net earnings loss of $41.4 million for the year, after interest expenses of $165 million, $77 million in non-cash charges, and a $7.1 million tax benefit. SGC had a $76.5 million loss in 1990.

Jack Futterman, chairman, president, and ceo, said that since the LBO, operating earnings have increased an average of 13 percent a year.

In a move to improve its balance sheet and reduce costs, SGC completed a recapitalization with an equity investment of $83.5 million. It reduced debt by $100 million, preferred stock by $52 million, and interest and dividend expenses were slashed by $14 million total.

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Vol. 13, No. 8 Apr. 22, 1991

MARKET DIARY:

Largest Dollar Gainer	Syntex Corp.	$ 7.75
Largest Dollar Loser	Rhone-Poulenc Rorer	$− 2.00
Largest Percentage Gainer	Big B	20.51%
Largest Percentage Loser	Halsey Drug	−11.12%

Advances	47
Declines	9
Unchanged	1
New highs	30
New lows	0

	Close 3/19/91	Close 4/8/91	Net Change	Percent Change
Drug Store News Index	3899.05	4153.48	254.43	6.53
Dow Jones Industrial Average	2867.82	2918.56	50.74	1.77
Standard & Poor's 500-Stock Index	366.59	378.66	12.07	3.29
N.Y.S.E. Composite	200.66	207.17	6.51	3.24
Value Line Index	231.03	241.14	10.11	4.38

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 3/19/91	Closing Price 4/8/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.75	6.75	0.00	0.00	26	0.00	0.00	7.56	4.50
OTC	Arbor Drugs (H)	ARBR	24.50	27.50	3.00	12.24	22	0.20	0.73	27.50	13.25
OTC	Big B (H)	BIGB	9.75	11.75	2.00	20.51	− 62	0.00	0.00	12.13	4.75
OTC	Drug Emporium	DEMP	8.88	9.00	0.13	1.41	14	0.12	1.33	11.00	6.25
NYS	Fay's Inc. (H)	FAY	11.50	13.13	1.63	14.13	16	0.20	1.52	13.13	7.25
ASE	Genovese Drug (H)	GDX.A	9.63	10.75	1.13	11.69	13	0.24	2.23	10.88	5.50
NYS	Longs Drug Stores	LDG	38.88	41.25	2.38	6.11	14	1.04	2.52	43.63	30.88
OTC	Medicine Shoppe	MSII	23.25	25.50	2.25	9.68	22	0.24	0.94	26.75	15.50
NYS	Perry Drug	PDS	6.38	6.50	0.13	1.96	− 65	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp. (H)	RAD	43.50	46.63	3.13	7.18	18	1.00	2.14	47.00	29.50
NYS	Walgreen Co. (H)	WAG	31.88	35.50	3.63	11.37	24	0.44	1.24	35.75	20.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	30.75	32.50	1.75	5.69	17	0.40	1.23	32.75	21.38
OTC	Bindley Western Ind.	BIND	15.88	17.25	1.38	8.66	17	0.04	0.23	17.63	8.63
OTC	Cardinal Distribution (H)	CDIC	34.00	37.25	3.25	9.56	31	0.08	0.21	38.25	17.50
OTC	Durr-Fillauer	DUFM	28.00	30.25	2.25	8.04	23	0.24	0.79	30.50	16.00
ASE	Ketchum	KCH	2.50	2.38	−0.13	− 5.00	− 4	0.00	0.00	2.75	1.25
NYS	McKesson Corp.	MCK	32.75	32.63	−0.13	− 0.38	15	1.60	4.90	37.50	26.88
ASE	Moore Medical	MMD	5.38	5.63	0.25	4.65	24	0.00	0.00	7.38	3.50
NYS	Owens & Minor (H)	OMI	18.25	19.50	1.25	6.85	19	0.24	1.23	20.00	10.88
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	47.50	49.75	2.25	4.74	22	1.00	2.01	50.75	33.13
NYS	American Home Products (H)	AHP	56.00	58.25	2.25	4.02	15	2.28	3.91	59.88	43.00
NYS	Baxter International (H)	BAX	30.88	34.63	3.75	12.15	−247	0.72	2.08	35.50	20.50
OTC	Block Drugs Co. (H)	BLOCA	48.00	53.50	5.50	11.46	19	0.80	1.50	53.50	29.63
ASE	Bolar Pharmaceutical	BLR	5.63	5.13	−0.50	− 8.89	− 4	0.00	0.00	9.38	1.88
NYS	Bristol-Myers Squibb (H)	BMY	74.00	78.25	4.25	5.74	24	2.40	3.07	80.38	51.75
NYS	Carter-Wallace (H)	CAR	59.88	63.75	3.88	6.47	18	0.92	1.44	63.75	44.88
ASE	Columbia Labs	COB	7.63	8.25	0.63	8.20	− 5	0.00	0.00	14.00	3.63
ASE	Forest Labs (H)	FRX	36.25	38.25	2.00	5.52	44	0.00	0.00	42.13	18.38
ASE	Halsey Drug	HDG	3.94	3.50	−0.44	−11.12	22	0.00	0.00	5.00	2.13
NYS	ICN Pharmaceutical	ICN	5.00	5.63	0.63	12.50	− 2	0.00	0.00	6.13	2.50
ASE	Lee Pharmaceutical	LPH	1.50	1.38	−0.13	− 8.33	− 6	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition (H)	PLI	11.50	12.75	1.25	10.87	11	0.00	0.00	12.75	6.75
NYS	Lilly Eli Co.	LLY	76.38	82.25	5.88	7.69	21	2.00	2.43	90.38	64.50
NYS	Marion Labs	MKC	38.38	38.50	0.13	0.33	22	0.80	2.08	39.63	22.75
NYS	Merck Co. (H)	MRK	101.50	108.00	6.50	6.40	24	2.24	2.07	109.75	71.63
NYS	Mylan Labs (H)	MYL	23.88	27.00	3.13	13.09	30	0.20	0.74	28.00	13.75
NYS	Par Pharmaceutical	PRX	4.75	4.50	−0.25	− 5.26	− 3	0.00	0.00	8.13	3.38
NYS	Pfizer Inc. (s) (H)	PFE	50.31	57.00	6.69	13.29	24	1.32	2.32	58.38	27.50
NYS	Rhone-Poulenc Rorer	RPR	81.50	79.50	−2.00	− 2.45	−153	0.84	1.06	83.25	56.75
NYS	Schering Plough	SGP	49.00	49.38	0.38	0.77	20	1.12	2.27	52.25	39.75
NYS	Syntex Corp. (H)	SYN	74.38	82.13	7.75	10.42	23	1.60	1.95	84.38	48.75
OTC	Taro-Vit Industries (H)	TAROF	3.75	4.25	0.50	13.33	−106	0.00	0.00	4.25	0.88
NYS	Upjohn Co. (H)	UPJ	43.38	48.00	4.63	10.66	19	1.16	2.42	48.75	33.00
NYS	Warner-Lambert	WLA	70.75	77.50	6.75	9.54	21	1.76	2.27	82.25	52.13
OTC	Zenith Labs (H)	ZENL	7.00	8.25	1.25	17.86	− 1	0.00	0.00	10.00	3.75
Other retailer transactions											
NYS	Albertson's (H)	ABS	42.00	47.00	5.00	11.90	27	0.56	1.19	49.25	27.50
NYS	American Stores (H)	ASC	82.50	88.63	6.13	7.42	17	1.12	1.26	88.63	42.63
NYS	Giant Food	GFS.A	29.00	29.75	0.75	2.59	15	0.60	2.02	31.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	54.00	53.63	−0.38	− 0.69	14	0.80	1.49	59.63	37.75
NYS	Kmart (H)	KM	38.88	41.50	2.63	6.75	11	1.72	4.14	43.50	23.38
NYS	Kroger (H)	KR	21.00	23.88	2.88	13.69	25	0.00	0.00	24.50	10.63
NYS	Melville Corp.	MES	49.00	51.75	2.75	5.61	14	1.44	2.78	57.75	32.75
OTC	Fred Meyer	MEYR	16.75	16.25	−0.50	− 2.99	12	0.00	0.00	18.25	10.00
NYS	Penney, JC	JCP	51.63	53.38	1.75	3.39	12	2.64	4.95	70.13	37.38
NYS	Safeway (H)	SWY	18.13	21.38	3.25	17.93	23	0.00	0.00	21.38	10.25
NYS	Smith's Food & Drug (H)	SFD	38.75	42.00	3.25	8.39	31	0.36	0.86	43.75	24.75
NYS	Wal-Mart (H)	WMT	36.75	42.13	5.38	14.63	37	0.16	0.38	42.13	24.00

Note: Pfizer completed a 2-for-1 stock split.

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

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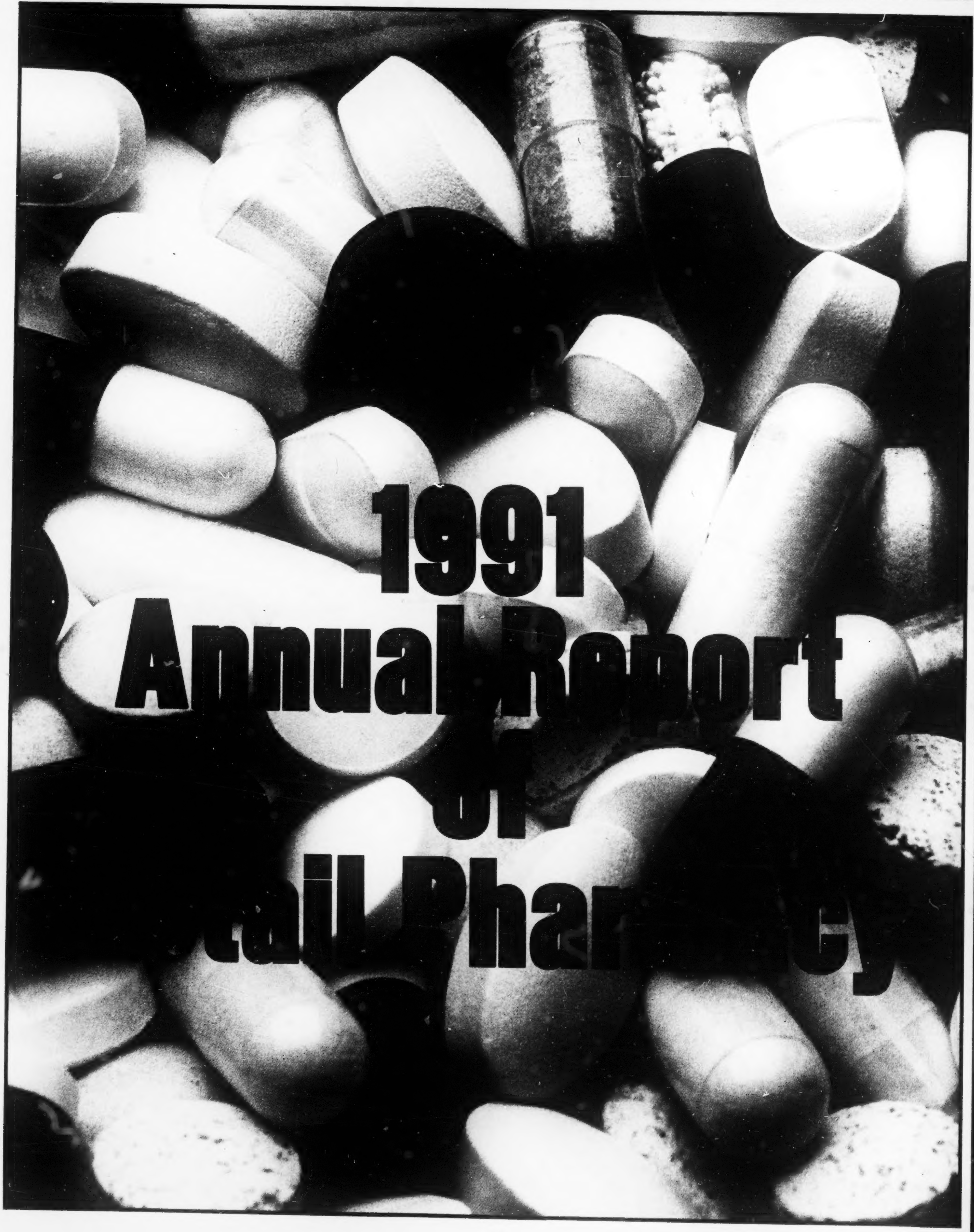

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editor's note

Readers speak out on Pharm.D

With the mailbox beginning to fill and little space to run letters, I thought I'd turn over this month's column to some our readers. Some of the letter concern last month's column on the Pharm.D. controversy. They're part of the replies that have been arriving daily in response to my Pharmacist Opinion Poll, in which I asked you to vote on whether to keep the present five-year B.S. degree as the entry requirement or change it to a Pharm.D. I'll report on the results next month.

* * *

I feel that a five-year B.S. in Pharmacy is a fine degree for community pharmacists. If so inclined, the option is there for us to climb the academic ladder; if not, it serves us well.

"Forced" Pharm.D degrees raise expectations of graduates that will certainly be dashed the first time they have to sweep the floor, stock a shelf or answer a question about hair color. The B.S. program is a great general plan to prepare us for what community pharmacy really is. Anyone not wishing for this practice setting can specialize, just as in other professions, while the prior B.S. program has given the specialist a foundation on which to build.

Charity A. Webster, R.Ph.

* * *

I am the owner of a small clinic pharmacy and am very much against going to an all-Pharm.D degree program. I am not trying to degrade what the average retail pharmacist does at their job, but the extra "clinical" education is just not needed. I am not saying the extra knowledge is not a good thing, but the extra cost for that education which will be used so little seems like a waste of money.

I am in favor of an all-Pharm.D program that would have two different tracts for people to select from: the clinical track for those who want to be in hospital-type work and business management track for those who want to work in the retail-type setting. I believe the business management training part of any pharmacy training is desperately needed. And I don't just mean for one quarter or semester. I also feel that the academic people who make these decisions should go and work for a short time in a chain store pharmacy and a small independent pharmacy and get a feel for what goes on in the real world.

Colleen Horeish, R.Ph.
Lake Elmo, Minn.

* * *

I am avidly in favor of change to a minimum licensing requirement of Pharm.D to newly licensed graduates. Having been employed as a chain pharmacist for 10 years, I feel a definite change is needed in the way pharmacy is practiced. The government recognizes the need for the pharmacist to possess a more expanded role in the management of health care. The pharmacist will be expected to lower the number of adverse drug interactions that occur annually. The general public expects information from their pharmacists including how to take their medictions and what side effects they can expect. A pharm.D graduate is better trained for such functions. With more sophisticated biotechnology drugs coming to the market, more education will be needed by the practicing pharmacist.

Name withheld on request

Keep those cards and letters coming!

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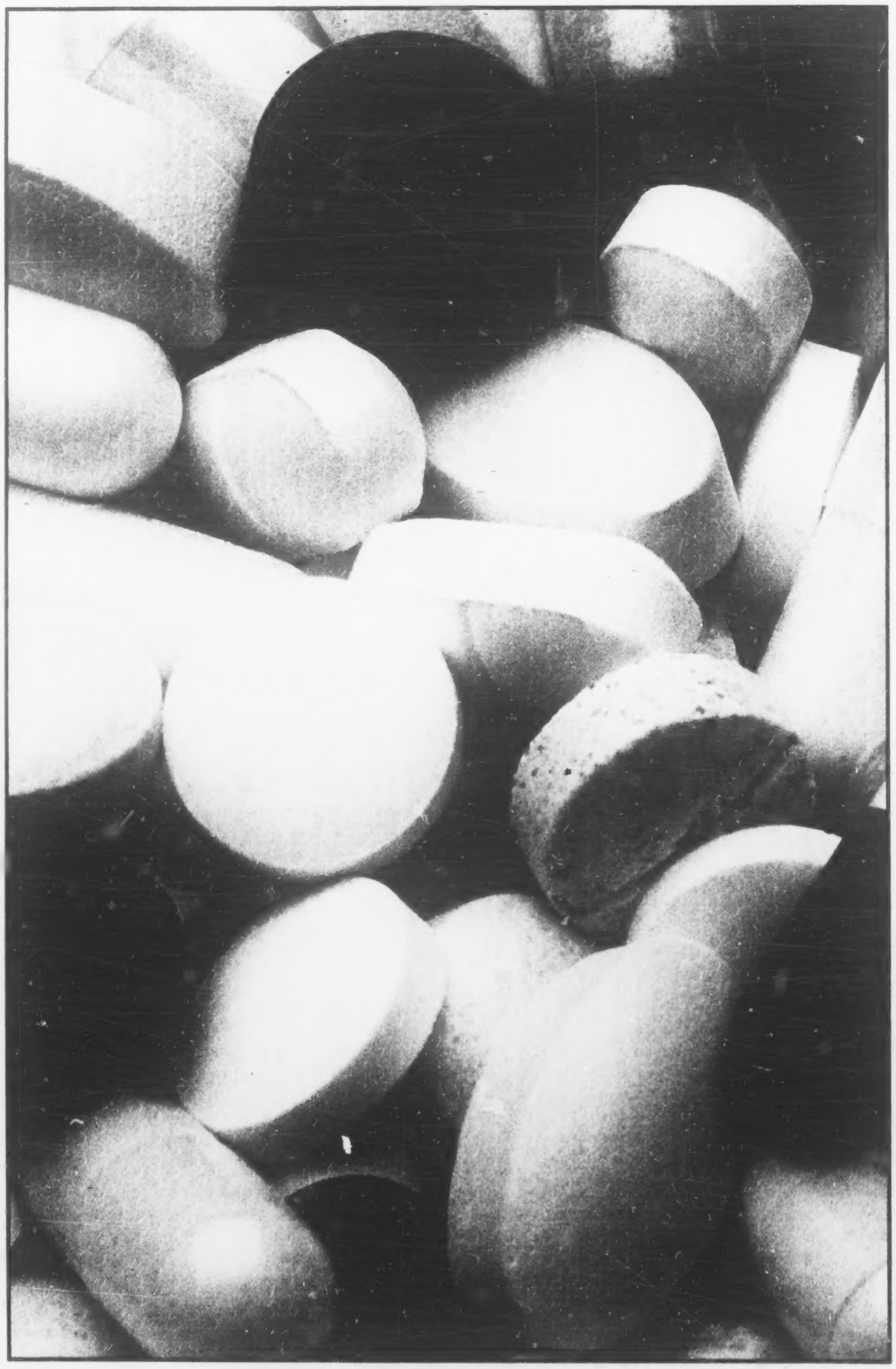
1990: A year of sales gains, tough issues



Retail pharmacy sales soared in 1990, propelled by hefty increases in the price of pharmaceutical products.

According to market statistics compiled and analyzed by *Drug Store News for the Pharmacist*, the price of an average prescription rose to $17.61 last year from $15.37 in 1989.

Based on price increases as well as a small incremental advance in the number of prescriptions, total retail pharmacy sales reached $35.9 billion last year. The biggest chunk of this volume—$15.6 billion—was done by community pharmacies in the one- to three-store range. However, the independents' share again shrank as competition from drug chains, supermarkets and mass market retailers gained momentum.

Chain drug pharmacy sales increased 14.4 percent to almost $14 billion. The steep rise, plus a deceleration in front-end dollar increases meant that the pharmacy share of total chain drug volume rose by almost two percentage points to 32.3 percent—a significant gain for a single year.

Supermarket/combo pharmacy sales, meanwhile, increased to $4.1 billion and mass market retailers' Rx volume rose to $2.2 million.

While prescription sales rose, retail pharmacy continued to be plagued by a host of problems including an increasing number of low-calorie third-party prescriptions, mail-order competition, a shortage of pharmacists, mandatory counseling laws, and other issues.

Third-party payors played an ever-increasing role in retail pharmacy. However, the news wasn't all bad, as computer companies developed sophisticated programs designed to help pharmacists with claims, without the expense of a mainframe system. Legislation was passed in Iowa and South Dakota guaranteeing third-party beneficiaries "freedom of choice" among participating retail pharmacies.

Pharmacists continued to battle over multitier pricing as they debated Sen. David Pryor's (D-ARK) PAPPA bill. Arizona lawmakers successfully prohibited exclusive contracts proposed by managed health care and insurance companies with prescription mail order facilities. And the new Medicaid Rebate Law stands to offer a leveling effect on pricing structures as they pertain to the Medicaid program. The law has produced a rippling effect in a number of states, which are trying to adopt similar concepts to apply to other state-assisted programs, such as those for senior citizens.

In addition, state Medicaid officials have been prohibited from cutting pharmacy reimbursement until 1995 under the final budget deficit reduction legislation.

The legislation also required pharmaceutical manufacturers to offer Medicaid some $1.9 billion in rebates over the next five years.

These are some of the other issues that are drawing the avid attention of retail pharmacy:

- The mandatory counseling debate rages on, as industry leaders tackle questions of whether regulation hinders or helps pharmacists in counseling patients.
- The debate over the pharmacy degree requirement gathers steam. ACPE last year recommended the Pharm.D. degree

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Sales gains & tough issues in 1990

Continued from page 17

as the sole, entry-level degree for the profession. Pharmacists continue to debate this issue, which leads to questions concerning the pharmacist shortage, a "grandfather clause" for B.S. graduates, and possible funding for instituting increased clinical programs in all schools. While APhA supports the ACPE proposal, NACDS, along with SRI, produced a study indicating the five-year degree sufficient for retail pharmacy and warning that a mandatory Pharm.D. would exacerbate the pharmacist shortage.

- The generic drug industry continued to draw fire during the past year as federal prosecutors and Congressional investigators revealed mounting evidence of fraud and corruption by manufacturers and FDA officials alike. In Baltimore, U.S. attornies pressed for indictments of officials at a number of prominent generic houses aceused of bribing government drug reviewers and submitting fraudulent abbreviated new drug applications.
- The generic industry scandal produced shock waves, but consumers and pharmacists continue to show their faith in generic products, mainly as an antidote to the rising cost of branded medicines.
- Mail order drug dispensaries developed into an even more significant market factor over the past year. In an increasingly aggressive effort to woo third party plans, mail order prescription services launched innovative and controversial programs. One of these, a therapeutic substitution iniative dubbed "Prescriber's Choice," was initiated recently by Medco Containment Services. The scheme, which is calculated to appeal to third-party cost-cutters, involves phone banks manned by pharmacist-telemarketers assigned to "jawbone" physicians into permitting substitution of different, cheaper but "therapeutically equivalent" drugs.
- Community pharmacists across the nation have been battling renewed assaults on the rights of patients to patronize the pharmacy of their choice. Increasingly, third-party payors have been seeking out arrangements with HMOs, preferred provider groups, and mail order dispensaries which would effectively lock community pharmacy out of the action. Meanwhile Medicaid officials at both the federal and state levels have been maneuvering to undermine the long-standing principle of freedom of choice. ☐

TOP FIFTY PHARMACY CHAINS

Rank	Chains	Pharmacies	Total stores
1	**Rite Aid**	2,337	2,420
2	**Eckerd**	1,650	1,674
3	**Walgreens**	1,504	1,564
4	**Kmart**	1,223	2,300
5	**Revco**	1,114	1,129
6	**CVS (A)**	1,100	1,351
7	**Wal-Mart**	1,095E	1,578
8	**Hook-SupeRx Inc.**	1,026	1,118
9	**Medicine Shoppe**	870	870
10	**Thrifty**	748	748
11	**American (B)**	681	681
12	**Kroger**	491	2,245
13	**Thrift**	487	487
14	**Pay Less**	318	321
15	**Big B**	305	307
16	**Safeway**	265	1,118
17	**Longs**	262	262
18	**Reliable**	260	262
19	**Albertson's**	258	523
20	**Phar-Mor**	232	232
21	**Perry**	228	228
22	**Drug Emporium**	212	212
23	**Fay's**	199	200
24	**SGC-Pathmark (C)**	170	276
25	**K&B**	159	160
26	**Medi-Save**	120E	125E
27	**Lucky**	118	411
28	**Harco**	113	115
29	**Arbor**	111	111
30	**Super D**	105E	105E
31	**ShopKo (D)**	103	107
32	**Giant Food**	102	150
33	**Fred Meyer**	96	122
34	**Vons**	96	328
35	**Genovese**	96	96
36	**Smith Management**	94	96
37	**Kerr**	92	92
38	**H.E. Butt**	92	154
39	**Wakefern**	89	110
40	**Skaggs Alpha Beta**	81	81
41	**Medicap**	75	75
42	**Hannaford Bros. (E)**	67	130
43	**King Soopers**	64	66
44	**Apple Tree**	64	96
45	**Snyder**	61	62
46	**True Quality**	61	61
47	**LaVerdiere's**	60	65
48	**Meijer**	56	59
49	**F&M**	53	96
50	**Homeland**	48	109

A. Includes Peoples and Rix-Dunnington
B. Includes Jewel Oscos with pharmacies.
C. Includes free-standing drug stores.
D. Includes two Twin Valu discount/food stores.
E. Includes 41 Wellby Drug stores.

Source: *Drug Store News for the Pharmacist* research, Towne-Oller

1990 Rx/OTC retail market

Store type	Hdqtrs.*	Total No. of pharmacy outlets	ACV $ vol. (in bil.)	% of Total	Rx* $ vol. (in bil.)	% of Rx $	OTC* $ vol. (in bil.)	% of OTC $ vol.
Chains (4 or more stores)	499	21,096	$ 43.2	24%	$14.0	39%	6.3	59%
2 & 3 store chains	0	2,645	3.5	2	2.2	6	0.6	4
High-volume independents	0	12,071	13.7	8	8.6	24	2.4	20
Community pharmacies	0	17,783	17.2	4	4.8	13	1.4	11
Total drug	499	53,595	$ 67.6B	38%	$29.6B	82%	$10.6B	87
Supermarkets/combos	133	4,291	79.1	44	4.1	12	1.1	9
Mass volume retailers	8	2,688	31.4	18	2.2	6	0.5	4
Total	640	60,674	$178.1B	100%	$35.9B	100%	$12.2B	100%

*Among units with pharmacies only

Source: Drug Store News Research, Chain Store Guide, Nielsen Marketing Research, Towne-Oller

First Databank drug price report

(1990 drug price change summary)

	All Rx products on market in 1990			All Rx products w/changes in 1990			
	# Rx prods	% total prods	Avg. % chg.	# prods w/chgs.	% total chgs.	Avg. % chg.	% of prods w/chgs.
All products	37,998	100.00	7.66%	14,863	100.00	19.57%	39.12%
Top 200 prods	1,503	3.96	9.95	1,111	7.47	13.47	73.92
Top 50 prods	459	1.21	11.22	416	2.80	12.38	90.63
Single-source prods	2,690	7.08	8.81	1,898	12.77	12.48	70.56
Multi-source prods	35,308	92.92	7.57	12,965	87.23	20.61	36.72
Misc. GI drugs	194	0.51	24.85	90	0.24	53.55	46.39
Tranquilizers	2,011	5.29	11.26	817	5.50	27.72	40.63
Vasodilating agents	1,268	3.34	10.07	448	3.01	28.51	35.33
Cardiac drugs	1,557	4.10	9.03	692	4.66	20.33	44.44

Source: First Databank

Analgesics boom continues with aging populace

1990 OTC productivity in chain drug stores

	'90 sales (add 000)	'90 % increase	% of category
Cough/cold (total)	$1,079,310	8.0%	16.9%
(tabs/caps/lozenges)	658,562	8.1	10.3
(liquids)	420,748	7.8	6.6
Analgesics	784,630	6.9	12.3
Dental care	647,083	7.7	10.1
Vitamins/nutritionals	593,183	6.2	9.3
Baby needs	501,650	8.2	7.9
Laxatives	347,868	6.1	5.5
Eye care/lens care	336,902	8.3	5.3
Family planning	336,101	8.4	5.3
Antacids	329,616	5.8	5.2
First aid products	323,827	5.9	5.1
Feminine hygiene	306,718	6.6	4.8
Footcare products	224,748	5.8	3.5
Diet aids	155,914	13.8	2.4
Antidiarrheal/anti-nausea	93,643	6.3	1.5
Acne preparations	92,692	9.8	1.5
Home health care	89,431	5.0	1.4
Sleeping aids	38,254	6.9	0.6
Wets & dries	32,668	2.8	0.5
Asthma inhalers/tabs/liq.	17,281	5.3	0.3
Miscellaneous	49,353	6.8	0.8
Total	$6,381,260		100.0%

Source: Drug Store News industry survey

'90 OTC Highlights

The dynamic analgesics market kept retailers on their toes last year, as line extensions and absolute growth continued at a headache-inducing pace.

According to the New York-based market research firm Packaged Facts, overall sales volume for analgesics climbed to $2.7 billion, for 1990. Aggressive marketing by makers, the aggressive growth of ibuprofen-based products, an aging population trying to stay in shape and the stresses of living in the '90s (what with wars, bank failures and environmental calamities) all bode well for future growth, the company reported. Packaged Facts predicts that double-digit growth will push the market to $5.9 billion in volume by 1995.

Loses market share

Additional studies correlating aspirin's benefits in preventing heart attacks (the most recent confirming those benefits for women) did not keep aspirin's share of the market from sliding from 43.0 percent to 39.5 percent, according to Advertising Age. Acetaminophen lost a point, to 38.0 percent (with No. 1 Tylenol keeping a 30-percent share of the total analgesics market), while ibuprofens climbed.

Ibuprofens had a particularly interesting year. A run of bad press followed the release of a Johns Hopkins study that said the use of ibuprofen could induce kidney failure in patients with kidney problems, but consumers were apparently convinced that such problems were rare at best. Upjohn bowed its OTC-strength Motrin IB and immediately carved out 2 percent of the market, with $10 million in sales generated in less than a year. This put perhaps only a temporary dent in Whitehall's success with Advil, which was still the No. 2 player in analgesics with a 19-percent share and 53 percent of the ibuprofen segment.

"There was some fallout from the bad press," said the OTC buyer for a major Southeastern chain. "Advil had taken it on the chin, but that was only a result of Motrin IB coming into the marketplace."

"The aging of the population bodes well for the ibuprofen/anti-inflammatory products," said Jon Rudden, vp-merchandising for Happy Harry's.

"The ibuprofen market is becoming very popular—it is really going head-to-head with acetaminophen," added Philip Ho, vp-operations Horton & Converse.

'Nighttime' segment up

A "nighttime" analgesics segment emerged and caught retailers' interest. McNeil launched Tylenol P.M., which contained a sleep-inducing ingredient along with acetaminophen. The product targeted Bristol-Myers Squibb's Excedrin P.M.; both are aimed at consumers whose aches and pains prevent sleep.

Bristol-Myers Squibb had a tough year. It lost the first round of a court battle over claims its Aspirin Free Excedrin was superior to Extra-Strength Tylenol because it contained caffeine; the company said it would appeal and in the meantime brought back its "Excedrin Headache" ad campaign from the '60s. It stepped up ad support for Excedrin, primarily for the P.M. product, and for Nuprin ibuprofen, but the latter gained only 2 percent in sales for the year, to $90 million. Bristol repositioned Bufferin as the pain reliever of choice for the older consumer after having dropped ads promoting it as a preventive remedy for second heart attacks; the target market was too small, Bristol decided.

Drug store retailers made some inroads in market share, increasing their analgesics percentage from 35.9 percent to 36.1 percent for the eight months ended Aug. 31, 1990, according to Nielsen Marketing Research. Chains devoted an average of 65.8 linear feet to headache/pain relievers, and gathered an average $49.89 in sales per month/per store/per linear foot. □

Subcategories blur but cough/cold increases

'90 OTC Highlights

The cough/cold category continued to give drug store retailers fits this past year as manufacturers' new products and line extensions blurred subcategory boundaries and confused customers.

The market on the whole increased about 7 percent, according to Schering-Plough figures, to $2.3 billion in sales. Retailers report that planogramming the department, first by subcategory (into cold remedies, sinus products, nasal sprays, allergy products, and cough preparations), and then after that by brand, helped mitigate confusion.

"I think it makes it a lot clearer when you have it broken up like that," observed Pam Nyberg, HBA buyer for Perry Drug Stores, Pontiac, Mich.

Confusion develops

However, this year manufacturers introduced multi-use products such as Tylenol's Cold/Flu and Allergy/Sinus preparations, or Alka-Seltzer Plus Sinus Allergy Medicine, and frustration often resulted.

"Candidly, I think the manufacturers have caused the confusion with line extensions that are not necessary," said Gerald Zlotnik, vp-director of purchasing for 21-store Medic Discount Drug, Cleveland. "I've not seen that many products that could be considered truly novel."

Non-drowsy products, flu remedies, effervescent delivery systems and the continued success of Rx-to-OTC switched products were all cited by retailers as driving cough/cold sales.

"The non-drowsy products have taken over the marketplace," noted Zlotnik, referring to the acceptance shown Drixoral's Non-Drowsy Formula, Tylenol Cold No-Drowsiness Formula, Sudafed Sinus w/o Drowsiness, and Afrin tablets.

Flu products forge ahead

Flu products had considerable success their first full year in the marketplace. Thera-Flu was joined by Medi-Flu, Drixoral Plus and Tylenol Cold/Flu; together the products racked up $45 million in sales, said Schering-Plough.

"The biggest product we ran into all year was Thera-Flu, and then McNeil came out with their own brand," said Mike Fitzgerald, non-foods buyer for the 20-store Drugtown Drugstores division of Hy-Vee Food Stores, Chariton, Iowa.

Perry's Nyberg saw inroads for effervescent delivery systems. "It seems like a lot of people are going towards the effervescent products, and the hot ones," she said.

But the continued success of Benadryl, the No. 1 brand in the market, left retailers eying further success when Marion Merrell Dow's Seldane and Johnson & Johnson's Hismanal make the Rx-to-OTC switch. FDA approval for both is expected in 1992.

"Anything that goes Rx-to-OTC in this market will do well," said Nyberg.

"We promote heavily on the drugs that have switched from Rx to OTC," noted Philip Ho, vp-operations for Horton & Converse Pharmacies, Newport Beach, Calif. "Benadryl has been pretty popular, and we set it at eye level."

Retailers also agreed that the cough/cold business still remains a seasonal one, particularly for cough remedies, even though the combination formulated pills and tablets move well all year. The general approach toward seasonal remedies was to group best-sellers on endcaps.

> 'It seems like a lot of people are going towards the effervescent products,' said Pam Nyberg, Perry.

Opportunity for pharmacists

The category offered pharmacists plenty of recommendation opportunities as well, as consumers sorted through shelves.

"Maybe ten to twenty percent of our customers will walk up to the pharmacist and ask for recommendations," said Ho. "Or, since our setting encourages patient contact, the pharmacist will approach the patient and assist them in deciding."

For the eight months ended Aug. 31, 1990, drug stores had 43.3 percent of the cold remedy business, down from 43.6 percent a year earlier, according to Nielsen Marketing Research. Similar slippage appeared for sinus remedies. ☐

Sales fatten for meal replacements

If there was a singular piece of product news to define mass merchandising for 1990, it would be that the meal replacement category grew up.

The excitement that the bulky canisters of powder had built over the past few years had caught up with virtually every major drug, supermarket and discount chain nationwide. More major suppliers came to the fray, although Thompson Medical's SlimFast, the market leader whose very name had become synonymous with dieting, still held by far the lion's share of the business. Line extensions started to proliferate. Intra-store turf wars ignited in the supermarket chains between profit-hungry merchandise managers.

Profit race begins

But once the dust had cleared, an inevitable reality emerged for retailers: the stuff was everywhere, and the race for profits, it turned out, had only just begun.

Nationwide, sales of meal replacements were up an incredible 38.8 percent, to $900 million, according to Lederle's Consumer Health Products Division

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> Sales of meal replacements were up an incredible 38.8 percent, according to Lederle.

NIFEDIPINE CAPSULES, USP

Brief Summary

INDICATIONS AND USAGE:

I. Vasospastic Angina: Nifedipine is indicated for the management of vasospastic angina confirmed by any of the following criteria: 1) classical pattern of angina at rest accompanied by ST segment elevation, 2) angina or coronary artery spasm provoked by ergonovine, or 3) angiographically demonstrated coronary artery spasm. In those patients who have had angiography, the presence of significant fixed obstructive disease is not incompatible with the diagnosis of vasospastic angina, provided that the above criteria are satisfied. Nifedipine may also be used where the clinical presentation suggests a possible vasospastic component but where vasospasm has not been confirmed, e.g., where pain has a variable threshold on exertion or in unstable angina where electrocardiographic findings are compatible with intermittent vasospasm, or when angina is refractory to nitrates and/or adequate doses of beta blockers.

II. Chronic Stable Angina (Classical Effort-Associated Angina): Nifedipine is indicated for the management of chronic stable angina (effort-associated angina) without evidence of vasospasm in patients who remain symptomatic despite adequate doses of beta blockers and/or organic nitrates or who cannot tolerate those agents.

In chronic stable angina (effort-associated angina) nifedipine has been effective in controlled trials of up to eight weeks duration in reducing angina frequency and increasing exercise tolerance, but confirmation of sustained effectiveness and evaluation of long term safety in these patients are incomplete.

Controlled studies in small numbers of patients suggest concomitant use of nifedipine and beta blocking agents may be beneficial in patients with chronic stable angina, but available information is not sufficient to predict with confidence the effects of concurrent treatment, especially in patients with compromised left ventricular function or cardiac conduction abnormalities. When introducing such concomitant therapy, care must be taken to monitor blood pressure closely since severe hypotension can occur from the combined effects of the drugs. (See WARNINGS.)

CONTRAINDICATIONS:

Known hypersensitivity reaction to nifedipine.

WARNINGS:

Excessive Hypotension: Although in most patients, the hypotensive effect of nifedipine is modest and well tolerated, occasional patients have had excessive and poorly tolerated hypotension. These responses have usually occurred during initial titration or at the time of subsequent upward dosage adjustment, and may be more likely in patients on concomitant beta blockers.

Severe hypotension and/or increased fluid volume requirements have been reported in patients receiving nifedipine together with a beta blocking agent who underwent coronary artery bypass surgery using high dose fentanyl anesthesia. The interaction with high dose fentanyl appears to be due to the combination of nifedipine and a beta blocker, but the possibility that it may occur with nifedipine alone, with low doses of fentanyl, in other surgical procedures, or with other narcotic analgesics cannot be ruled out. In nifedipine treated patients where surgery using high dose-fentanyl anesthesia is contemplated, the physician should be aware of these potential problems and, if the patient's condition permits, sufficient time (at least 36 hours) should be allowed for nifedipine to be washed out of the body prior to surgery.

Increased Angina and/or Myocardial Infarction: Rarely, patients, particularly those who have severe obstructive coronary artery disease, have developed well documented increased frequency, duration and/or severity of angina or acute myocardial infarction on starting nifedipine or at the time of dosage increase. The mechanism of this effect is not established.

Beta Blocker Withdrawal: Patients recently withdrawn from beta blockers may develop a withdrawal syndrome with increased angina, probably related to increased sensitivity to catecholamines. Initiation of nifedipine treatment will not prevent this occurrence and might be expected to exacerbate it by provoking reflex catecholamine release. There have been occasional reports of increased angina in a setting of beta blocker withdrawal and nifedipine initiation. It is important to taper beta blockers if possible, rather than stopping them abruptly before beginning nifedipine.

Congestive Heart Failure: Rarely, patients, usually receiving a beta blocker, have developed heart failure after beginning nifedipine. Patients with tight aortic stenosis may be at greater risk for such an event, as the unloading effect of nifedipine would be expected to be of less benefit to these patients, owing to their fixed impedance to flow across the aortic valve.

PRECAUTIONS:

General: Hypotension: Because nifedipine decreases peripheral vascular resistance, careful monitoring of blood pressure during the initial administration and titration of nifedipine is suggested. Close observation is especially recommended for patients already taking medications that are known to lower blood pressure. (See WARNINGS.)

Peripheral Edema: Mild to moderate peripheral edema, typically associated with arterial vasodilation and not due to left ventricular dysfunction, occurs in about one in ten patients treated with nifedipine. This edema occurs primarily in the lower extremities and usually responds to diuretic therapy. With patients whose angina is complicated by congestive heart failure, care should be taken to differentiate this peripheral edema from the effects of increasing left ventricular dysfunction.

Laboratory Tests: Rare, usually transient, but occasionally significant elevations of enzymes such as alkaline phosphatase, CPK, LDH, SGOT and SGPT have been noted. The relationship to nifedipine therapy is uncertain in most cases, but probable in some. These laboratory abnormalities have rarely been associated with clinical symptoms, however, cholestasis with or without jaundice has been reported. Rare instances of allergic hepatitis have been reported.

Nifedipine, like other calcium channel blockers, decreases platelet aggregation *in vitro*. Limited clinical studies have demonstrated a moderate but statistically significant decrease in platelet aggregation and increase in bleeding time in some nifedipine patients. This is thought to be a function of inhibition of calcium transport across the platelet membrane. No clinical significance for these findings has been demonstrated.

Positive direct Coombs test with/without hemolytic anemia has been reported.

Although nifedipine has been used safely in patients with renal dysfunction and has been reported to exert a beneficial effect in certain cases, rare, reversible elevations in BUN and serum creatinine have been reported in patients with preexisting chronic renal insufficiency. The relationship to nifedipine therapy is uncertain in most cases but probable in some.

Drug Interactions: ***Beta-adrenergic blocking agents:*** (See INDICATIONS and WARNINGS.) Experience in over 1400 patients in a non-comparative clinical trial has shown that concomitant administration of nifedipine and beta-blocking agents is usually well tolerated, but there have been occasional literature reports suggesting that the combination may increase the likelihood of congestive heart failure, severe hypotension or exacerbation of angina.

Long acting nitrates: Nifedipine may be safely co-administered with nitrates, but there have been no controlled studies to evaluate the antianginal effectiveness of this combination.

Digitalis: Administration of nifedipine with digoxin increased digoxin levels in nine of twelve normal volunteers. The average increase was 45%. Another investigator found no increase in digoxin levels in thirteen patients with coronary artery disease. In an uncontrolled study of over two hundred patients with congestive heart failure during which digoxin blood levels were not measured, digitalis toxicity was not observed. Since there have been isolated reports of patients with elevated digoxin levels, it is recommended that digoxin levels be monitored when initiating, adjusting, and discontinuing nifedipine to avoid possible over- or under-digitalization.

Coumarin anticoagulants: There have been rare reports of increased prothrombin time in patients taking coumarin anticoagulants to whom nifedipine was administered. However, the relationship to nifedipine therapy is uncertain.

Cimetidine: A study in six healthy volunteers has shown a significant increase in peak nifedipine plasma levels (80%) and area-under-the-curve (74%) after a one week course of cimetidine at 1000 mg per day and nifedipine at 40 mg per day. Ranitidine produced smaller, non-significant increases. The effect may be mediated by the known inhibition of cimetidine on hepatic cytochrome P-450, the enzyme system probably responsible for the first-pass metabolism of nifedipine. If nifedipine therapy is initiated in a patient currently receiving cimetidine, cautious titration is advised.

Carcinogenesis, Mutagenesis, Impairment of Fertility: Nifedipine was administered orally to rats for two years and was not shown to be carcinogenic. When given to rats prior to mating, nifedipine caused reduced fertility at a dose approximately 30 times the maximum recommended human dose. *In vivo* mutagenicity studies were negative.

Pregnancy: Pregnancy Category C. Nifedipine has been shown to be teratogenic in rats when given in doses 30 times the maximum recommended human dose. Nifedipine was embryotoxic (increased fetal resorptions, decreased fetal weight, increased stunted forms, increased fetal deaths, decreased neonatal survival) in rats, mice and rabbits at doses of from 3 to 10 times the maximum recommended human dose. In pregnant monkeys, doses 2/3 and twice the maximum recommended human dose resulted in small placentas and underdeveloped chorionic villi. In rats doses three times maximum human dose and higher caused prolongation of pregnancy. There are no adequate and well controlled studies in pregnant women. Nifedipine should be used during pregnancy only if the potential benefit justifies the potential risk to the fetus.

ADVERSE REACTIONS:

In multiple-dose U.S. and foreign controlled studies in which adverse reactions were reported spontaneously, adverse effects were frequent but generally not serious and rarely required discontinuation of therapy or dosage adjustment. Most were expected consequences of the vasodilator effects of nifedipine.

Adverse Effect	Nifedipine (%) (N=226)	Placebo (%) (N=235)
Dizziness, lightheadedness, giddiness	27	15
Flushing, heat sensation	25	8
Headache	23	20
Weakness	12	10
Nausea, heartburn	11	8
Muscle cramps, tremor	8	3
Peripheral edema	7	1
Nervousness, mood changes	7	4
Palpitation	7	5
Dyspnea, cough, wheezing	6	3
Nasal congestion, sore throat	6	8

There is also a large uncontrolled experience in over 2100 patients in the United States. Most of the patients had vasospastic or resistant angina pectoris, and about half had concomitant treatment with beta-adrenergic blocking agents. The most common adverse events were:

Incidence Approximately 10%

Cardiovascular: peripheral edema
Central Nervous System: dizziness or lightheadedness
Gastrointestinal: nausea
Systemic: headache and flushing, weakness

Incidence Approximately 5%

Cardiovascular: transient hypotension

Incidence 2% or Less

Cardiovascular: palpitation
Respiratory: nasal and chest congestion, shortness of breath
Gastrointestinal: diarrhea, constipation, cramps, flatulence
Musculoskeletal: inflammation, joint stiffness, muscle cramps
Central Nervous System: shakiness, nervousness, jitterness, sleep disturbances, blurred vision, difficulties in balance
Other: dermatitis, pruritus, urticaria, fever, sweating, chills, sexual difficulties.

Incidence Approximately 0.5%

Cardiovascular: syncope. Syncopal episodes did not recur with reduction in the dose of nifedipine of concomitant antianginal medication.

Incidence Less Than 0.5%

Hematologic: thrombocytopenia, anemia, leukopenia, purpura
Gastrointestinal: allergic hepatitis
Oral: gingival hyperplasia
CNS: depression, paranoid syndrome
Special Senses: transient blindness at the peak of plasma level
Other: erythromelalgia, arthritis with ANA (+)

Several of these side effects appear to be dose related. Peripheral edema occurred in about one in 25 patients at doses less than 60 mg per day and in about one patient in eight at 120 mg per day or more. Transient hypotension, generally of mild to moderate severity and seldom requiring discontinuation of therapy, occurred in one of 50 patients at less than 60 mg per day and in one of 20 patients at 120 mg per day or more. Very rarely, introduction of nifedipine therapy was associated with an increase in anginal pain, possibly due to associated hypotension.

In addition, more serious adverse events were observed, not readily distinguishable from the natural history of the disease in these patients. It remains possible, however, that some or many of these events were drug related. Myocardial infarction occurred in about 4% of patients and congestive heart failure or pulmonary edema in about 2%. Ventricular arrhythmias or conduction disturbances each occurred in fewer than 0.5% of patients.

In a subgroup of over 1000 patients receiving nifedipine with concomitant beta blocker therapy, the pattern and incidence of adverse experiences was not different from that of the entire group of nifedipine treated patients. (See PRECAUTIONS).

In a subgroup of approximately 250 patients with a diagnosis of congestive heart failure as well as angina, dizziness or lightheadedness, peripheral edema, headache or flushing each occurred in one in eight patients. Hypotension occurred in about one in 20 patients. Syncope occurred in approximately one patient in 250. Myocardial infarction or symptoms of congestive heart failure each occurred in about one patient in 15. Atrial or ventricular dysrhythmias each occurred in about one patient in 150.

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Circle #12 on Reader Service Card

Meal replacement sales fatten up

Continued from page 22

(which bowed the DynaTrim brand at year's end), but retailers felt that that simply represented outlet saturation. Of that figure, Thompson Medical's SlimFast Division owned 95 percent of the market, Thompson claimed, while rolling out single-serving packets and pre-mixed cans for the beverage, as well as extending the line to include snack bars and frozen meals (this last item sparking the aforementioned grocery wars).

Other suppliers struggled to make their presence felt. Correction Connection's Dick Gregory Bahamanian Diet emphasized its juice-based powder for the lactose-intolerant or strict vegetarians. Nature's Bounty played up its gender-specific Slim Quick for Men and Slim Quick for Women. CCA Industries rounded out its Eat 'n Lose line to include both meal replacement powders and snack items.

Major entrant

Lederle's entrance into the fray at year's end with DynaTrim was widely anticipated by retailers. They welcomed the presence of a large, established supplier that was well-known to consumers through the Centrum vitamin franchise, and were intrigued by product claims that promised a better-tasting drink that could be thickened into a shake and even frozen to a mousse dessert.

Thompson took the launch seriously enough that the ensuing 48-hour broadcast war the two companies waged through New Year's Day 1991 was a television advertising highlight for the year.

Drug chains coped. Nielsen Marketing Research reported they devoted an average 28.8 linear feet to diet aids in their stores, and retailers admitted that powders were starting to squeeze diet pills out of their sets. Nielsen also reported average dollar sales per month/per linear foot/per chain drug store of $14.79, a figure reflecting the widespread discounting that quickly set it. ☐

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Circle #22 on Reader Service Card

Laxative sales see only minor dollar increase

'90 OTC Highlights

The laxative category as a whole has been flat of late.

According to manufacturers, laxatives tallied an overall total of $700 million in sales for bulk and overnight products. This represented only a 2 percent climb in dollar sales.

The reason, manufacturers say, is a fundamental change in America's eating habits. Sales for bulk laxatives in particular were steadily growing through 1988 they say, until it dawned on the public that consuming more fiber as a regular part of a healthy diet provided a more natural regimen than taking laxatives.

"It's very tough to compete against mother nature," said one brand manager in exasperation.

Manufacturers' strategies, then, have focused on maintaining the size of the market, rather than growing the category. The user base size is being continually renewed to a certain extent by an aging population, and this may ultimately spur the market again, but beyond that, manufacturers are using brand-oriented strategies to hold share, including new flavors, bonus sizes and price promotions.

"The category is maturing, and I think price has something to do with it," observed Bob Berman, vp-buying and merchandising, May's Drug Stores, Tulsa. "The people who are using the product are going where it is the cheapest to buy." Bulk laxatives, which make up 37.4 percent of the laxatives universe, have been a mainstay at May's, Berman added.

Procter & Gamble's Metamucil is the category leader with a 20.7 percent share, followed by Ex-Lax, with 8.2 percent, Plough's Correctol with 7.8 percent, and Phillip's Milk of Magnesia at 7.0 percent. Other players include Lakeside's Citrucel, Ciba Consumer's Fiberall, Rorer Consumer's Perdiem, SmithKline Beecham's Serutan ("That's natures spelled backwards"), and Lederle's Fibercon, among others.

Drug chains' share of the laxative market shrunk from 57.2 to 56.5 percent for the first eight months of 1990, according to Nielsen Marketing Research.

They devoted an average of 37.9 linear feet to the section per store, and generated an average $36.13 in sales per month/per store/per linear foot.

Fights flavor fatigue

Metamucil is providing some product development leadership, retailers said, fighting flavor fatique and trying other product formulations, although how successful this will be at building sales is open to question.

"I'm not sure it's going to get more people to the category," said Liz Spera, HBA buyer for 24-store Bill's Drugs, Benicia, Calif. "It may be a tradeoff between regular old chalky-taste and cherry, for example. They're adding more SKUs for consumers, but I don't think it's going to be real meaningful."

Manufacturers' strategies have focused on maintaining the size of the market.

On the other hand, Culpepper is more sanguine.

"I think the reformulation of Metamucil is going to help. I think their 'citrus-smooth' product that will come out later this year will be a grat improvement. This is palatable—it's not like it's a bottle of wine—but you can swallow it, and I think that will help," Culpepper said.

Metamucil is also rolling a wafer product "that's supposed to be better than any cookie in the Nabisco section," added Berman. He plans to add it and hedge his bets on the category's future.

"I have to feel with the number of people over 40 right now, it should be a growing market again, and we want to stay in position to capture our share of that," he said. ☐

Vitamin merchandising changes with demand

Age-specific product, new delivery systems and a growing role for private label marked vitamin merchandising at drug stores this past year.

According to Nielsen Marketing Research figures, drug stores pulled in 55.5 percent of the vitamin business among the three major retail segments—drug, food and mass merchandiers—for the first eight months of 1990, down from the previous year's 56.6 percent. They provided an average 84 linear feet per store to the section, second only in space to sanitary protection, and rang up an average $23.54 per month/per store/per linear foot, as of last June.

Targeting mature consumers. . .

Retailers cited the release of Lederle's Centrum Silver, targeted to senior citizens, as the major new product news for the category.

"I think the makers are definitely keying in on the older marketplace," said Rick Babral of Reliable, "the so-called 'Greying of America.' Centrum Silver came out, there's Geritol Extend, and in private label we pretty much followed suit."

"The only new thing I've seen in the category this year is Centrum Silver, and it's doing a nice job," said the OTC buyer for a major Southeastern-based regional chain. "It's really getting that older customer."

"It must be the advertising and demographics research, Lederle certainly knows who's out there," observed Liz Spera, HBA buyer at Bill's Drugs. "They discovered that gardening was their target customers' favorite hobby, and so they came out with this floor display that had an offer for free marigold and tomato seeds when they bought the Centrum Silver. . . that did fairly well."

. . .and also kids

At the other end of vitamins' demographic range, Robocop, Hulk Hogan and Teenage Mutant Ninja Turtles vitamins battled with Flintstones, Sesame Street, Bugs Bunny and Superman for kids, and parents, attention, with mixed success reported by chains.

The growing presence of effervescent liquids as an OTC delivery system, which has been widely accepted in Europe for several years, was felt in vitamins stateside as Inter-Hermes Pharma, Inc., an American subsidiary of a Munich company, bowed its Multilyte effervescent multivitamin in a nationwide rollout. Inter-Hermes also marketed effervescent Calcilyte (Calcium and vitamin D) and Citrolyte (vitamin C). ☐

← Circle #025 on Reader Service Card

Retailers reposition antacids for planned Rx-to-OTC switch

'90 OTC Highlights

Drug store retailers and suppliers spent the past year positioning themselves for the next big step in antacid product development: the long anticipated Rx-to-OTC switch of H-2 blockers.

SmithKline Beecham is leading the charge with an OTC-strength version of its anti-ulcer drug Tagamet, which it launched in 1978. Within five years it was the largest-selling prescription drug in America. Hard on its heels came Glaxo's Zantac and Marion Merrell Dow's Carafate; together they've pushed H-2 blocker sales over the $2 billion level, more than twice that of the OTC antacids market, according to the market research firm Packaged Facts.

Retailers are concerned about finding more shelf space for the proliferation of products and line extensions in the heated antacid market.

Brands repositioning

Suppliers have prepared for the onslaught by repositioning their brands, making them more convenient to take, stronger, and better-tasting. Liquids such as Maalox, Pepto-Bismol, Di-Gel, Mylanta-II, Titralac and Gaviscon can also be bought as tablets, while Tums has crossed over to liquid form. Rorer, maker of Maalox, has taken a direct approach, reasserting the brand as an ethical pharmaceutical and giving it a high profile on detailers' agendas, believing that doctors who feel blockers might be overused would be attentive.

Other supplier activity saw SmithKline Beecham step up media support for Tums' cherry and extra-strength peppermint line extensions. Bristol-Myers announced in September it had started test-marketing a new caplet, Medacid, that was easier to take and quick-dissolving. Johnson & Johnson-Merck Consumer Pharmaceuticals firmed up plans to take Merck's anti-ulcer drug Pepcid OTC, and J&J's McNeil Consumer Products division test-marketed its Tylenol Extra-Strength Antacid, an effervescent. This product targeted Miles' Advance Formula Alka-Seltzer, a lemon-flavored, low-sodium, acetaminophen-based effervescent that had bowed at the end of 1989. Miles, in the meantime, is using its Alka-Seltzer name to target the allergy market with new Alka-Seltzer Plus Maximum Strength Sinus Allergy Medicine.

Meanwhile, Procter & Gamble gave Pepto-Bismol a Maximum Strength line extension, Warner-Lambert rolled out Extra Strength Rolaids, and Rorer brought out Maalox cherry cream and mint cream flavors for both liquids and tablets.

With all these line extensions, it's no wonder Nielsen Marketing Research reported that chain drug stores devoted an average of 42.5 linear feet per store in 1990, raking in an average of $27.46 in sales per month/per store/per linear foot. Retailers are assuming that trends towards self-medication, an aging marketplace and the anticipated Rx-to-OTC switches all bode well for future category growth.

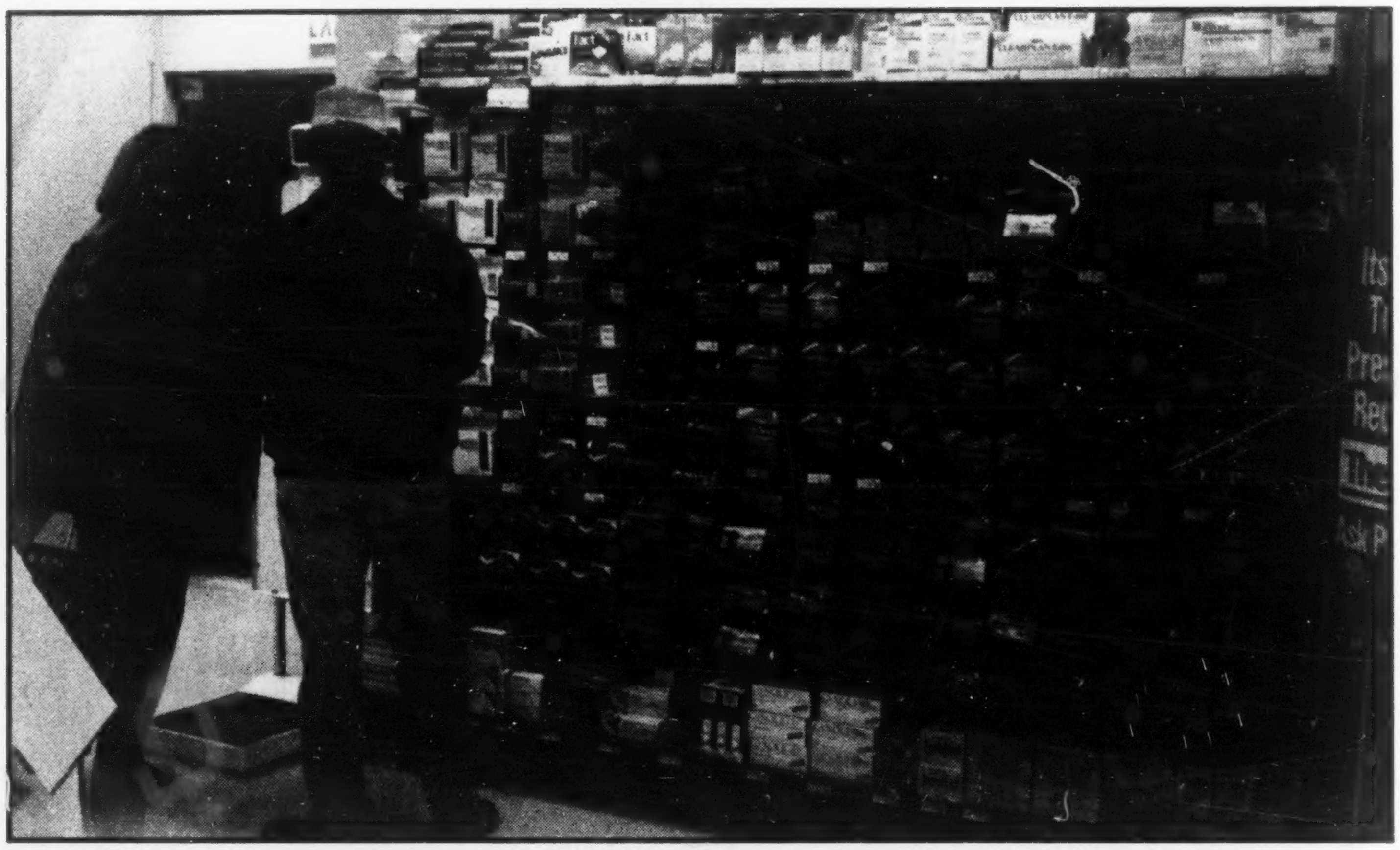
"I think when the H-2s come across from pharmacy, there's going to be a dramatic changing of the guard," said Rick Babral, OTC buyer for Reliable Drug. "They're going to dramatically increase that category."

But retailers fear that whatever space they've set aside for this is being chewed up by the flood of line extensions.

"I think the manufacturers are all worried about Tagamet, so they're trying to give people a new excuse for taking antacids, and they take up more space," said Gerald Zlotnik, vp and director of purchasing for Medic Discount Drug. "We had anticipated some growth in the category, but that was for the introduction in a year or two of the Tagamet-like products," said the OTC buyer for a Midwestern-based drug chain. "But these line extensions are causing problems, and we're going to have to determine later in the year whether we dip into that extra space now, or hold back and make do. ☐

Drug stores have 70% of sales in flat condom market

'90 OTC Highlights



Deep discounters like Rx Place carry a broad array of condoms in their planograms.

Although the advent of the AIDS crisis helped condom sales to soar in the '80s, drug store sales remained flat last year, manufacturers told *Drug Store News for the Pharmacist.*

While drug stores still capture nearly 70 percent of condom sales, many are starting to see these sales slip, as a result of increased competition from food store outlets.

"Condoms aren't taboo in food stores anymore," said Marie Kraemer, product manager for Ansell. "We're seeing some real potential growth in the food store market."

However, these sales don't necessarily mean growth for the condom market as a whole, say manufacturers. The increase in sales is due primarily to the shift between outlets, rather than more consumer purchases.

Traditional condom outlets, such as drug stores, are seeing a decline as food stores start to increase their piece of the retailing pie, but the overall category growth is flat, as compared to a few years ago.

'It can't happen'

With the AIDS crisis still clearly in the picture, why aren't consumers taking precautions?

Manufacturers claim it's because people still have the "It can't happen to me" attitude. And, with so much emphasis on AIDS, consumers are less worried about other sexually transmitted diseases (STDs).

"People are just going to have to take care of themselves with safe sex," said Mark Silverman, vp, sales and marketing for Safetex Corp. "Sure, people take the Pill to reduce the risk of pregnancy, but the Pill doesn't prevent AIDS and it doesn't prevent other STDs."

More education is needed to help consumers become aware of the risks, manufacturers emphasized. School systems around the country are now allowing the distribution of condoms from school nurses, and manufacturers repeatedly show up on beaches to emphasize safe sex to spring break party-goers.

However, ultimately the best avenue to reach consumers is by television—a place where condom ads are banned except on a few cable channels.

Other media tried

Manufacturers have tried to make up for the lack of TV advertising by placing ads on radio and print media outlets. While they say their messages are being heard and seen by millions, they agree that television is a sure way to reach the majority of consumers.

"Television is a major medium in this country and a sure way to get your message across," said Mark Klein, vp-marketing for Carter Products. "We've had a lot less problems with radio and print outlets. AIDS has helped bring the issue to the forefront and has given us some avenues to work with.

"Sure, you can say 'eventually' we'll probably be able to run TV ads," he continued. "But who knows when 'eventually' is? We think there is enough reason now to allow condom advertising. One in five Americans have had at least one STD. One in twelve teens risk an unwanted pregnancy each year. Isn't that a good enough reason?" □

Most frequently advertised condoms Top 50 drug chains June 1990 - Dec. 1990

Brand	% of total condom ads
Trojan	45%
Titan	18
Ramses	13
Sheik	10
Lifestyle	4

Source: Ad Activity Marketing Services, Inc., Springfield, IL

Condoms protect gun barrels from sand

Condoms were very popular with the soldiers in the Persian Gulf War. After a letter of appeal from the wife of a Saudi-based soldier who was complaining about sand, several manufacturers sent their products over to be fitted over the barrels of M-16 rifles. The condoms kept out the blowing sand and prevented the guns mechanisms from becoming clogged.

Condom dollar sales in drug stores

1989	1990
$165.8 million	$173.2 million

Units sold in drug stores

1989	1990
96.9 million	94.2 million

Source: A.C. Nielsen

Glucose monitor prices are easier on wallets

'90 OTC Highlights

At-home testing kits have gone the way of electronics. As the technology advances, the units get less expensive and more accessible to the average consumer.

Blood glucose monitors have had swift sales since prices of new easy-to-use brands have made purchasers from customers who previously could not afford the meters.

New brands, such as Ames' Glucometer III, which retails for about $50, are selling for literally nothing when the frequently issued consumer rebates are factored in.

Price wars

"The reduction in prices started as a price war between Boehringer Mannheim and Ames," said Terry Lehman, buyer for Peoples Drug Stores, now a part of CVS.

"Two years ago when units were $120, the companies were offering $75 manufacturer rebates. It doesn't surprise me that they are giving the monitors away. They are counting on the sale of the replacement strips to finance the meters."

It seems to be working. Dionne Tronn, manager of corporate communications for Ames, said the sales of Glucometer III, introduced a little over a year ago, surpass the sale of all other meters combined. Retailers don't believe this is an overstatement.

Jodi Davis, a buyer for Thayer Pharmacies, a 31-store Massachusetts chain, said the chain sells about 30 of the Ames meters at regular price. That number jumps to about 65 when the meter is on sale.

While retailers are selling the meters at a low profit margin they are certainly not using them as loss leaders. Sales of the meters leads to repeat business from good customers.

"People with diabetes are good customers, but they shop around because they have so many health expenses," said a buyer at mid-sized California chain. "We don't take a large mark-up on the meters because we want to remain competitive." The increased business they get from the sale of replacement strips for the meters, which cost an average of $50 a package, is helping their bottom lines.

To drum up the business, many chains are aggressively promoting company rebates in ads. Stephen Bishop, buyer at Bill's, a 26-store California chain, said the chains' ads promote the "free" meters. He says the sales of the meters has nearly doubled since he introduced Ames' Glucometer III to his mix. "When we promote the Glucometer III it outsells other meters five to one," said Ken Chochol, buyer at Michigan's Perry Drug.

One California chain regularly sends out a targeted mailing promoting blood glucose meters to physicians and patients. "We have a list of people with diabetes by zip code and we mail promotional material to them," said the buyer. "We also send a letter to physicians explaining that this is a product we have been targeting to their patients."

Most retailers are carrying an average of three meters and are concentrating on offering the ones with the lowest price tags. Said Perry's Chochol: "We've discontinued the higher priced meters. Manufacturers are restructuring the high end units so that they are beginning to sell in the $90 range rather than at $120." ☐

Faster pregnancy testing kits outsell the rest

Pregnancy testing kits are being driven by products which have become easier to use. Kits which show results in three to five minutes are outselling kits with a longer wait time. In fact, Warner Lambert has discontinued its EPT test with a 30-minute waiting time in order to concentrate on its four-minute product.

Stephen Bishop, buyer at Bill's, estimates that sales of pregnancy test kits have doubled there over the past year. "Products that are easier to use plus aggressive promotion by manufacturers is driving the category for us," he said. The problem for retailers is that with so many products on the market, how can the stores stock them all?

"No item has more than one facing," said Bishop, "but we stock at different degrees of depth. Our typical store carries five or six different brands. That's about double what we carried two years ago."

Broad assortment

Page Ilderton, buyer at Kerr Drug, is currently carrying 10 different brands in the family planning section. "We carry practically everything on the market," said Betty Swansinger, buyer at Discount Drug Mart. Whitehall's Clearblue Easy and Carter Wallace's First Response products were cited by many retailers as good performers. Both have a wait-time under four minutes.

Thayer's Davis said her chain sells 100 units of First Response a month. Clearblue Easy's single and double both have sales of 56 units a month at the chain. By comparison, Davis said that even those tests which take 30 minutes to get a result are selling at 35 units a month. Those sales may be contingent on price since the shorter time kits can cost twice as much. "Sales of the 30-minute products have really lessened," said Kerr's Ilderton.

Retailers say that it's not just the ease of use that's driving the category; promotion by the manufacturer also plays a large part in sales. Said Terry Lehman of Peoples: "This category is supported by the vendors that support their products the most."

Those companies which are putting their money into keeping their prices low but allowing retailers to make margins are selling well." Advertising makes a big impact, said Lehman. Manufacturers agree. "EPT may be a market leader because of advertising," said Tom McMillian, product manager for the Warner Lambert product. "These kits are not an impulse item."

Ovulation kits flat

Nor are ovulation testing kits, which seem to be faring the least well in this category. Buyers cite the expense and the time involved in using the product as two possible reasons. Still, they are carrying the kits.

"Ovulation kits are still moving slowly," said Lehman. "There's a lack of advertising in this category and they are extremely expensive, generally in the $24 to $34 range." Ilderson said Kerr carries three brands of ovulation kits, although sales are slow. Thayer's Jodi Davis is moving 30 First Response ovulation kits a month despite their $25 price tag.

Bishop said Becton-Dickinson's Q Test is the fastest seller at Bill's. "The product is easy to use, although it's certainly not the least expensive," he said.

Retailers are placing both pregnancy and ovulation test kits out where customers have easy access to the products despite the risk of theft. "If they can reach it, they can steal it," said Bishop. "But if we put the kits in the pharmacy, we would definitely lose sales." ☐

C-150-2

The newspaper of drug store retailing

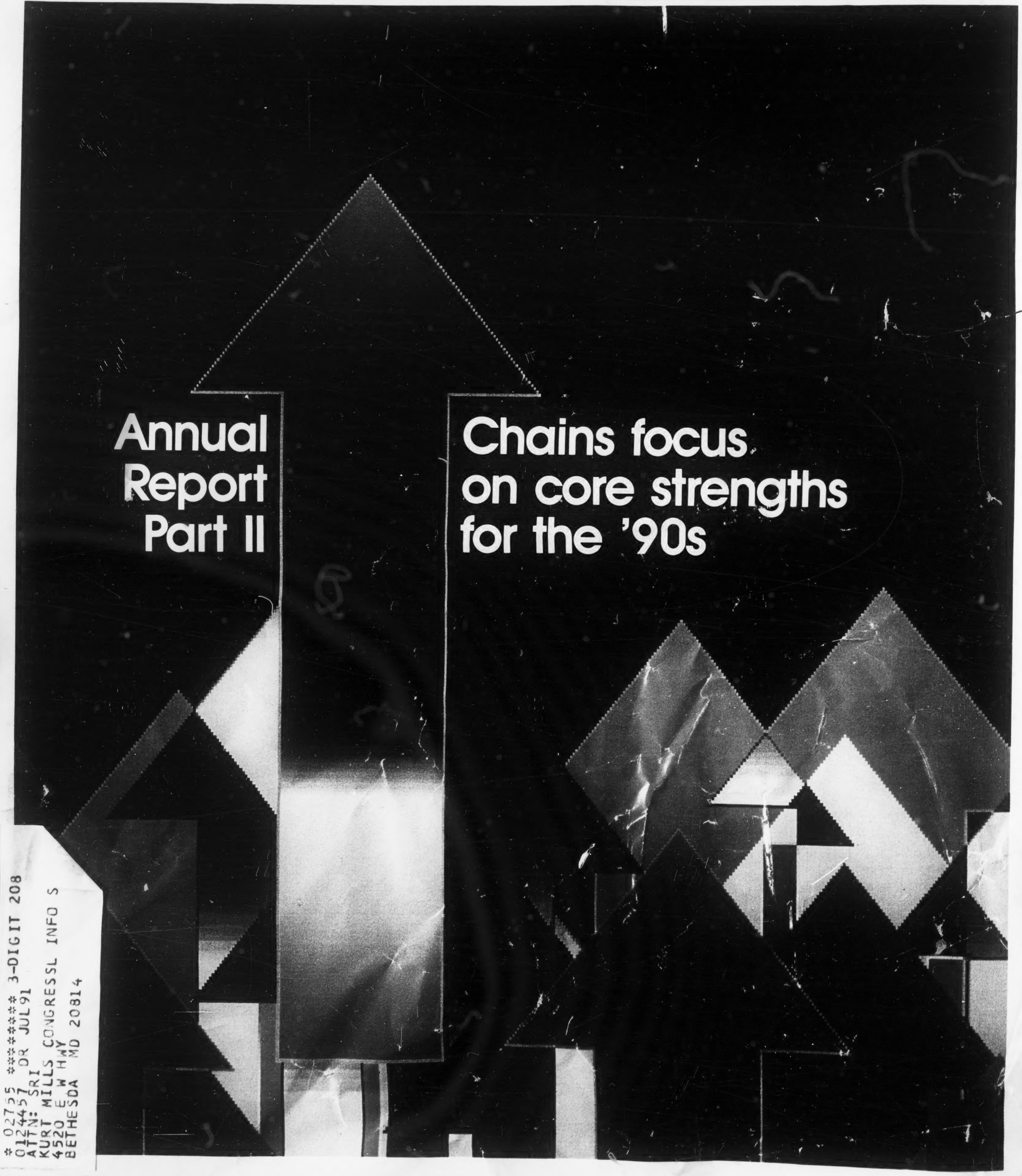
May 6, 1991

DRUG STORE NEWS®

SECOND CLASS

Vol. 13 No. 9

A Lebhar-Friedman publication



Annual Report Part II

Chains focus on core strengths for the '90s

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The newspaper of drug store retailing

May 6, 1991

DRUG STORE NEWS®

Vol. 13 No. 9

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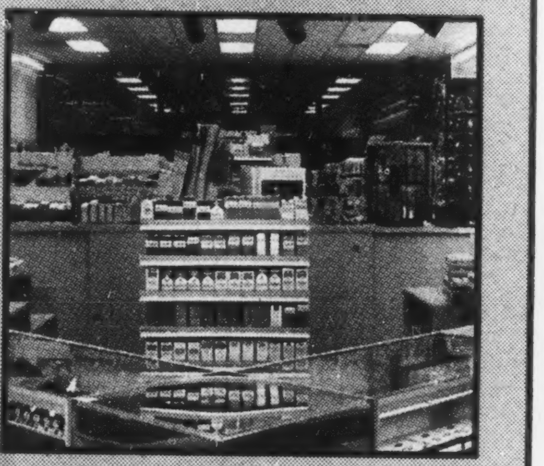
LATE NEWS

•WARREN, Mich. — F&M Distributors will enter Boston with four stores this fall, mostly through new construction now under way, said president Frank Newman.

•TROY, Mich. — Arbor Drugs has filed to offer 2 million common shares (worth $50 million in today's market), half to be sold by Arbor and half by an unnamed shareholder.

FEATURES



Eckerd tunnels to profits

Eckerd goes underground with a unique downtown store design deep in the heart of Dallas. Page 5.

Rainforest Rx treasures

Prescriptions contain plants exclusive to the rainforest. As rainforests get axed, so do medicinal possibilities. Page 64.

Drug Store News
Box 3116, Grand Central Station, New York, N.Y. 10164-0659

SECOND CLASS

Revco presents plan to creditors

By James Frederick

TWINSBURG, Ohio — Expressing "frustration" with the slow pace of progress in its effort to emerge from bankruptcy, Revco D.S. chairman and ceo Boake Sells said the company's board of directors had arrived at a plan of reorganization. That plan is now being presented to Revco's three committees of creditors as negotiations to develop a consensual debt payment plan for the company reach a critical stage.

Revco and the trade creditors, bondholders and banks to whom it owes $1.5 billion must successfully negotiate a plan of reorganization all parties can agree upon before the chain can come out of Chapter 11. Those negotiations took on new urgency in early April, after representatives of some of the company's 11¾ percent senior secured debentures filed a motion with U.S. Bankruptcy Court in hopes of speeding up the process. The noteholders' motion asks the court to impose a 120-day deadline on Revco's efforts to file a consensual plan with the court. If those efforts fail, the motion asks that Revco's Chapter 11 case can be changed to a Chapter 7 liquidation.

"Although we don't agree with this tactic to get Revco out of bankruptcy, we share their sense of frustration with the pace of our case," Sells responded. "We also share the eagerness of debenture holders and other creditors to see a confirmable plan of reorganization for the company."

Revco's creditors filed their own financial reorganization plan with the court last fall, but members of Revco's board holding equity in the company refused to accept the plan because it rated their stake in the company as worthless, since Revco's debt obligations outweigh its current asset value.

In recent months, parties involved in the negotiations have agreed to revise the plan somewhat "to reflect the current status of Revco and the desires of several parties in the case," according to the company. Such a revision may have to take into account improvements in Revco's store- and pharmacy-automation systems, its healthier cash position and gradual improvements in store operating performance.

Revco and its creditors are so far not releasing details about the new reorganization

See **Revco** *page 6*

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ShopKo is committed to pharmacy, optical centers and HBA, placing them in all new stores.

ShopKo moves westward; eclipses 100 Rx stores

GREEN BAY, Wisc. — ShopKo Stores has broken the 100-unit mark in pharmacies as it continues to extend its reach in western markets. The discount store chain opened four new stores in one day, including its first entry into Billings, Mont. and three more units in Utah.

That brings store count to 108, including 101 units with pharmacies. The discount division of Super Valu Stores, Minneapolis, also has two Twin Valu combos in Cleveland.

More ShopKo news pg. 6

All four new units contain pharmacies and HBA departments. "All our new stores have both pharmacies and optical centers. They're part of our core business," said spokesperson Jane Kresin.

ShopKo will add another Utah store this fall, in Sugarhouse, near Salt Lake City, raising store count in the state to 15 by the end of the year and making Utah its second-biggest market.

The chain's expansion wheels have been greased by careful refinement of its format: a strong mix of discount store general merchandise, apparel and toiletries with specialty departments and some food—all at discount prices.

ShopKo's biggest stronghold remains the Midwest. The chain operates 36 stores in Wisconsin, 12 in Minnesota, 10 in Nebraska, and three each in Iowa and Michigan. However, the chain is growing most rapidly in the West. Besides Utah, it has 8 units in Idaho, six each in Washington and South Dakota, and three each in Montana, Nevada and Oregon.

ShopKo also entered California for the first time last year, with a unit in Redding.

Dot 14-store re-opening is a year in the making

LENEXA, Ks. — Dot Drug Stores launched simultaneous grand reopening celebrations in all 14 of its large-scale off-price outlets April 19, 20 and 21. The event followed an ambitious, year-long makeover of Dot following its sale by Wal-Mart Stores early last year.

Wal-Mart sold the $100 million division to a four-man group of investor/managers Jan. 31, 1990. The group includes chain drug veteran Jerry Gaddis, Wal-Mart's former Dot division manager, Terry Files, and two Kansas City investor-operators, Ron Benjamin and Paul Miller. Dot's stores are located in Kansas City, St. Louis, Wichita, Ks., Des Moines, Iowa and Lin-

See **Dot** *page 6*

P&G buy of Max Factor may make Revlon shine

By Elizabeth Parks

Levin

NEW YORK — Does Revlon's sale of Max Factor to Procter & Gamble, coupled with the naming of a new president, signal the emergence of a new, stronger, more streamlined Revlon?

In the chain drug industry, where Revlon is a major player, executives hope the Factor sale is a good omen.

While they'll miss Revlon's outgoing president, Sol Levine, they believe his replacement, Jerry W. Levin, may be in a good position to help Revlon streamline operations and improve production and marketing programs.

Many executives reason that the sale of Factor to P&G will make it easier for Revlon to focus on its core business, since the $1.14 billion in cash that Revlon will realize from the sale will help reduce debt and build equity.

"It affords them the opportunity. . .to use proceeds to strengthen Revlon's competitive situation," said Jim Harrison, Jr., president of Harco Drug. "It should help them refocus attention on their day-to-day businesses."

Revlon's ceo Ronald Perelman said as a result of the sale company capital structure "will place fewer constraints on operating flexibility and provide us with greater capacity to build on

Continued on page 66

NEWS IN BRIEF

DiGrazia leaves Safeway

OAKLAND, Calif. — Safeway said that Paul DiGrazia, who has been the director of pharmacy, has left the company to pursue other interests. A spokesman said that DiGrazia, who had been an employee for "close to ten years," had yet to be replaced. DiGrazia has moved to Pay Less NW, sources said.

Safeway increased the number of pharmacies it operated in 1990 to 393, or 35 percent of its superstores and conventional stores.

Bindley Western names 3 exec posts

INDIANAPOLIS — Bindley Western has named David Dyck as vp-sales, Western region. Previously with Bergen Brunswig Corp., Dyck will be based at the new San Dimas, Calif. facility.

Also, John Yarbrough was promoted to vp-operations. He was most recently vp-gm of the Atlanta division.

Michael Hamilton, in a third appointment, joined the company and will take the division manager's post in Atlanta. Hamilton has 14 years experience in the wholesale drug industry.

O&M makes top management shifts

RICHMOND, Va. — Owens & Minor has made some senior management shifts following the announced retirement of executive vp W. Frank Fife, effective May 1 after 33 years.

Glenn Dozier will become the leader of a newly-formed department as senior vp-operations and systems. His responsibilities will include operations/logistics and MIS. Dozier is currently senior vp, and will function as cfo until a replacement is found.

Henry Berling, now senior vp and chief operating officer, will assume the new position of senior vp-sales and distribution, with responsibility for all wholesale drug and medical-surgical distribution centers. Three new group vice presidents have been named to report to Berling. They are Richard Moss, who will manage the Eastern region, James Foran, South Central, and Craig Smith, Western.

Also, Robert Anderson III, currently senior vp-corporate development, will become senior vp-marketing and planning, a new company function that will focus on implementing the marketing plan. Anderson continues to have responsibility for the strategic long-range plan.

In other changes: Hugh Gouldthorpe, formerly vp and gm-wholesale drug division, will take the new position of vp-corporate communications. Hue Thomas III, formerly vp-gm of the medical/surgical division, will become vp-corporate relations.

Exclusively HBA gains speed

CHICAGO — The Exclusively HBA trade show, which debuted last fall, is apparently picking up steam heading into the '91 event. Jay Spaulding, principal of Exclusively HBA, said that retailer and exhibitor registrations are "exceeding expectations."

The All-Industry Health & Beauty Care Show will run Sept. 12-14 at the New Orleans Convention Center. Spaulding said that over 200 exhibitors have already signed on, "well ahead of schedule" to surpass its goal of 300.

More than 260 buyers and merchandisers have registered so far, indicating that the goal of 1,000 will be exceeded by showtime, Spaulding said.

NHMA moves to burbs

CHICAGO — The National Housewares Manufacturers Association has relocated it headquarters offices to Rosemont, Ill., a nearby Chicago suburb. The new larger office will be at 6400 Shafer Court, Suite 650.

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Affiliated/Associated show brims with products, programs

By Susan Ball

DALLAS — Affiliated/Associated Drug Stores' Spring Show at the Loews Anatole Hotel here made retailers "feel like walkin' and lookin' and talkin' and doin'," as one new member put it.

AADS has been fine-tuning its show format since taking it on the road last year, and the consensus among retailers polled at this mid-April event was that it topped both Chicago and Atlanta.

"This is probably as close to the ideal structure as it can get," Alvin Wander and Pat Teeley of Maple Drugs in Michigan agreed. They also said having the show specials included in the booths was an improvement over Atlanta, where the specials were separate.

Several attendees liked the flip-flop of the "What's Good With You" session with the AADS buyers' merchandise presentations. The buyers' presentations, a high point among members, took place on the last day of the show this time, changing places with "What's Good . . .," when retail members share some of their product and promotion successes, held on the first full day.

"The booths here are well arranged, so you can see more in less time," said Steve Gresham of Florida-based Gresham Drugs.

Jerry Houghton and Ed Easton of Kinney Drugs found the exhibition facilities in Dallas "much better than Atlanta" and formed the impression others also mentioned, that there were more vendors at this show.

The count was up somewhat, AADS president Jim DeVine confirmed, with 139 vendors represented in 151 booths, compared with 133 vendors at the fall show in Atlanta.

Approximately 110 merchandisers from 50 drug

Continued on page 6

Bill Brock, director of gm, Drug Emporium, right, talks with a sales rep on exhibition floor at AADS Spring Show, Dallas.

Affiliated/Associated show attendees shout "Tremendous!" when asked how they're doing at the end of Patrick O'Dooley's featured speech on attitude and enthusiasm being key to success.

CVS names two execs for acquisitions

WOONSOCKET, R.I. — Fast-growing CVS has promoted two executives to top posts for store and pharmacy acquisitions.

Frank Hall was named vp-acquisitions, responsible for negotiating and coordinating store purchases and sales. That will include focusing on integrating the 490 Peoples Drug stores CVS bought last year.

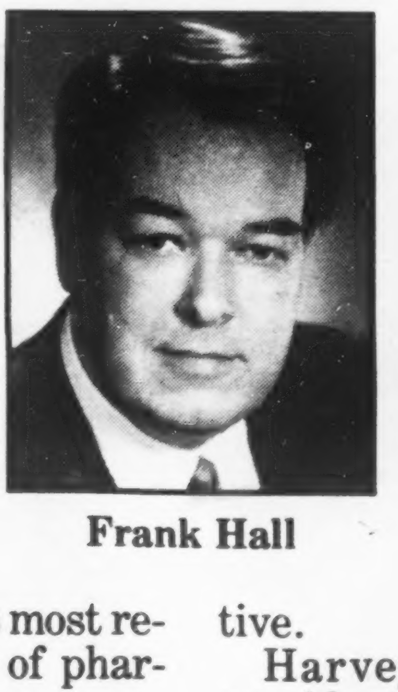
Hall, a CVS employee since 1972, has most recently been director of pharmacy acquisitions.

And in a move that highlights the chain's commitment to the Peoples stores, CVS named Dino DeThomas to the newly-created post of regional director of pharmacy acquisitions for the mid-Atlantic states.

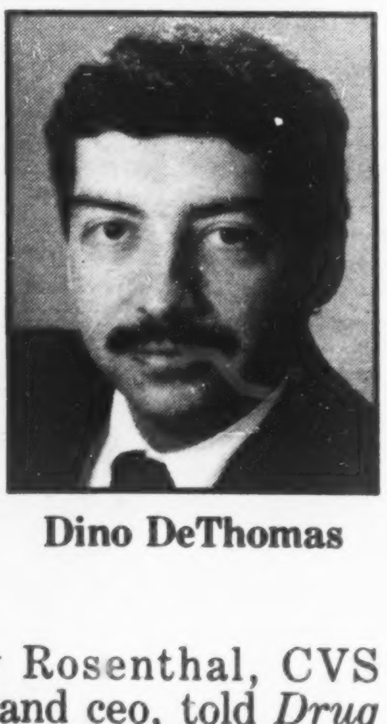
DeThomas will operate out of Peoples' offices in Bren Mar, Va. and will continue reporting to Hall. DeThomas was most recently a pharmacy acquisitions representative.

Harvey Rosenthal, CVS president and ceo, told *Drug Store News* the promotions reflect the importance of the positions and individuals to CVS—and doesn't indicate any new directions for the chain.

Having added over $1 billion in sales with its takeover of Peoples, CVS plans to add 35 stores in 1991.



Frank Hall



Dino DeThomas

Correction

A typographical error in a story about Perry Drug Stores' "adoption" of Detroit's Crockett Vocational/Technical Center changed the meaning of a paragraph about Perry's "Doo-It-Up" hair-styling contest.

The paragraph should have read: Arts students at the school can also benefit by entering Perry's annual "Doo-It-Up" contest, which gives high school students a chance to vie for $1,000 prizes by depicting African-American hairstyles. Winning entries are used in ads promoting black hair styles and products throughout Detroit.

NACDS has made great strides in 3 years

IN THE MARKET
BRUCE BUCKLEY

In 1987, when Ron Ziegler was taking over the reins at NACDS, the association was strong and highly regarded. Viewed from the pressbox, NACDS' steady game seemed suited to the tasks at hand. Why tinker too much, we thought, with a winning organization. Of course, as we now know, change was not only necessary but inevitable. And in fact in the past three years the changes have crackled like fireworks on North Lee Street close to the banks of the Potomac.

Under Ziegler, NACDS is now at a peak in influence and as a result is serving its members better than ever.

Today, as the association's annual meeting gets under way, membership, income and member services are at record levels, and the association's voice in government and pharmacy affairs has gained in depth and resonance. Here are a few particulars:

• **Membership:** Reflecting consolidation in the industry it represents, NACDS' chain drug membership has actually fallen since 1987. Today it stands at 155 chains, whereas three years before it was 170. However, those 155 chains represent 24,000 stores, compared to 20,000 in 1987. Offsetting the decline in chain membership has been a 50% increase in associate members, to 900 from 600. Membership has also expanded among mass merchandisers and supermarkets, which share a common interest in pharmacy. In targeting new growth, NACDS has even moved into the international arena. • **Budget:** From 1987 to 1990 total income almost doubled, to $11.4 million from $6.3 million, while expenditures increased to $10.6 million from $6.0 million three years earlier. Income after expenditures also soared — to $814,391 from $351,988.

• **Staff:** In three years, the staff grew to 43 from 28. More important than the numbers are the areas in which activity has accelerated. In government affairs, for example, there has been expansion at both federal and state levels. State government affairs managers are now assigned to every region of the country. In the pharmacy and health affairs area staff membership is up, with more registered pharmacists handling key pharmacy practice and education issues.

• **Services:** A library has been added where members, as well as others interested in the chain drug industry and its issues, can track down information. An electronic bulletin board offers news and research. New publications have been added, including The PIPEline, the Source Book and — soon to make its appearance — Chain Drug Store Pharmacist.

• **Meetings:** In addition to the strong growth of the traditional triad — the Annual, Marketplace and Pharmaceutical — NACDS has added conferences on Distribution/Logistics; Human Resources/Loss Prevention; and Public Conference.

If three years has brought such great strides, one can only speculate about the remainder of this decade. The changes are sure to be as cracklingly dramatic as those of the first three years.

Wage proposal could be to labor's advantage

WASHINGTON PERSPECTIVE
KEN RANKIN

Chain and independent drug store operators struggling to survive the economic downturn may soon find their job even tougher as a result of developments here in Washington.

Organized labor leaders are politicking hard on Capitol Hill these days, and that could spell trouble for many companies—union and non-union alike. Indeed, if some members of Congress have their way, payroll costs in drug retailing and other labor intensive industries may soon begin spiraling upward.

Union lobbyists are already pressing for a fresh hike in the national minimum wage, which was just raised to $4.25 earlier this spring. One scheme under discussion would boost the pay floor 35 percent to $5.75 and wipe out the current subminimum "training wage" in the process.

Worse yet, some Congressional supporters of such legislation are also pressuring for a minumum wage "indexing" requirement that would mandate automatic annual increases in the hourly rate in step with changes in the cost of living.

Many of these same lawmakers are also spearheading a drive for an even more controversial "striker bill" designed to give organized labor activists the upper hand in wage negotiations with industry. This proposal would eliminate the right of businesses to hire permanent replacements for striking workers.

Although the advocates of these measures maintain that they are necessary to improve the economic status of the nation's workforce, there's a good deal of doubt about that.

The consensus among economic researchers is that increases in the minimum wage rate eliminate employment opportunities and do more harm than good for low-income workers. An indexing provision would aggravate those problems and create a new engine of inflation, to boot.

As for the striker bill, the last thing our fragile economy needs is a shift in the labor law ground rules that would encourage crippling work stoppages.

If these questionable proposals are implemented, the impact would hit home at the very time that drug stores and other employers are beginning the slow climb back from the recession.

Legislation that stalls the recovery and cripples industry's ability to create jobs won't help drug stores or their employees.

Letters to the editor

Dear Editor:

In the Dec. 10 issue of *Drug Store News*, results from the Leo J. Shapiro study were published, stating that in a user survey, Edge ranked 4th in brand preference for shave cremes behind Colgate, Gillette and Barbasol. These findings are absolutely incorrect and misleading according to all other consumer and independent sales tracking data purchased by SC Johnson Wax from leading research suppliers. Consistently, Edge Shave Gel is positioned as the No. 1 brand in the shave prep category.

In fact, according to the leading sales tracking company, Edge Shave Gel brand is No. 1 in both dollar and unit sales in all classes of trade, including drug. Edge leads the next brand by over 20 share points in dollar sales. Additionally, consumer data shows Edge is rated No. 1 by its respective users on key shave performance measures, like getting a close shave without irritation.

The above claims are substantiated by a variety of syndicated data. This data gives us backing to make and defend our No. 1 position claims to the trade and to our consumers.

Barbara H. Jorgensen
Public Relations Manager
U.S. Consumer Products
S.C. Johnson & Son, Inc.

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Record earnings, sales reported by Walgreen

DEERFIELD, ILL. — Walgreen reported record earnings and sales for the second quarter and six months ended Feb. 28—even with a one-time charge for closing a Memphis distribution center.

Improved gross margins and "an excellent holiday sell-through" boosted profits, said chairman Charles Walgreen III.

Sales for the Christmas quarter were $1.82 billion, or 10.6 percent above last year's comparable quarter. For six months, sales of $3.03 billion were 10.8 percent better than the prior year. Decreased by a one-time charge of $4.1 million for closing the Memphis DC, second quarter net earnings were $67.49 million, 9 percent above last year's quarter. Six-month net earnings were $99.63 million, 10 percent better than last year.

Without the charge for the Memphis closing—which occurred because its physical constraints didn't allow for new system technology—net earnings for the quarter would be 13.1 percent better than last year, and 12 percent ahead for the six months.

Walgreen's board declared a regular quarterly dividend of 11½ cents a share payable June 12, 1991 to shareholders of record May 22, 1991.

Advertising costs as a percent of sales are lower than a year ago. But—mostly due to higher insurance and payroll expenses—selling, occupancy and administrative costs rose.

Prescription sales rose 20.5 percent in the quarter, and 21 percent for the six months, as same-store sales grew 17.8 percent in the six months.

"Pharmacy could be half our overall sales by the end of the decade," said president L. Daniel Jorndt, adding that 120 pharmacy remodels are scheduled for the current fiscal year.

Walgreen opened 43 stores in the first half; with plans for 110 new stores this year, nearly half in freestanding sites. Preliminary March sales show a 15.6 percent increase from last year, helped by an early Easter.

Despite less severe flu season, Bergen sees sales/earnings rise

ORANGE, Calif. — In spite of a milder-than-usual flu season this winter, Bergen Brunswig reported an 8 percent increase in sales and a 13 percent increase in net earnings for the six months ended Feb. 28.

Net sales and other revenues for the first half were $2.34 billion, compared with $2.18 billion for the period in fiscal 1990. Net earnings rose to $34.1 million from $30.3 million. Fully diluted earnings per share were 94 cents for the six months, versus 86 cents for the year-earlier period.

For the second quarter, net sales gained 7 percent, to $1.16 billion from $1.09 billion for the comparable quarter last year. Net earnings were $17.1 million, or 47 cents per share, compared with $15.4 million, or 43 cents per share.

"Bergen Brunswig continued its sales growth performance despite less-than-anticipated results in January attributed in part to this year's less severe flu season," commented president and ceo Robert E. Martini. "A higher gross profit margin rate, effective operating expense controls and a program of continuing consolidation into regional distribution centers contributed to the 16 percent improvement in operating earnings."

Arbor declares 3-for-2 stock split

TROY, Mich. — Arbor Drugs' board of directors on April 2 declared a 3-for-2 stock split, the second 3-for-2 split in two years. It's stock closed on the NASDAQ exchange at 26½ April 17, with a price/earnings ratio of 22.

The new shares in the form of a 50 percent stock dividend will be distributed May 7 to shareholders of record as of April 17.

"We are pleased to increase the number of shares outstanding and provide better liquidity of Arbor stock," said Eugene Applebaum, chairman, president and chief executive officer.

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Vol. 13, No. 9 May 6, 1991

MARKET DIARY:

Largest Dollar Gainer	Merck Co	$ 5.63
Largest Dollar Loser	Penney, JC.	$ − 1.63
Largest Percentage Gainer	Moore Medical	46.67%
Largest Percentage Loser	Bolar Pharmaceutical	− 9.76%

Advances	32
Declines	21
Unchanged	5
New highs	25
New lows	0

	Close 04/08/91	Close 4/18/91	Net Change	Percent Change
Drug Store News Index	4149.09	4253.73	104.63	2.52
Dow Jones Industrial Average	2918.56	2999.26	80.70	2.77
Standard & Poor's 500-Stock Index	378.66	388.46	9.80	2.59
N.Y.S.E. Composite	207.17	212.26	5.09	2.46
Value Line Index	241.14	245.95	4.81	1.99

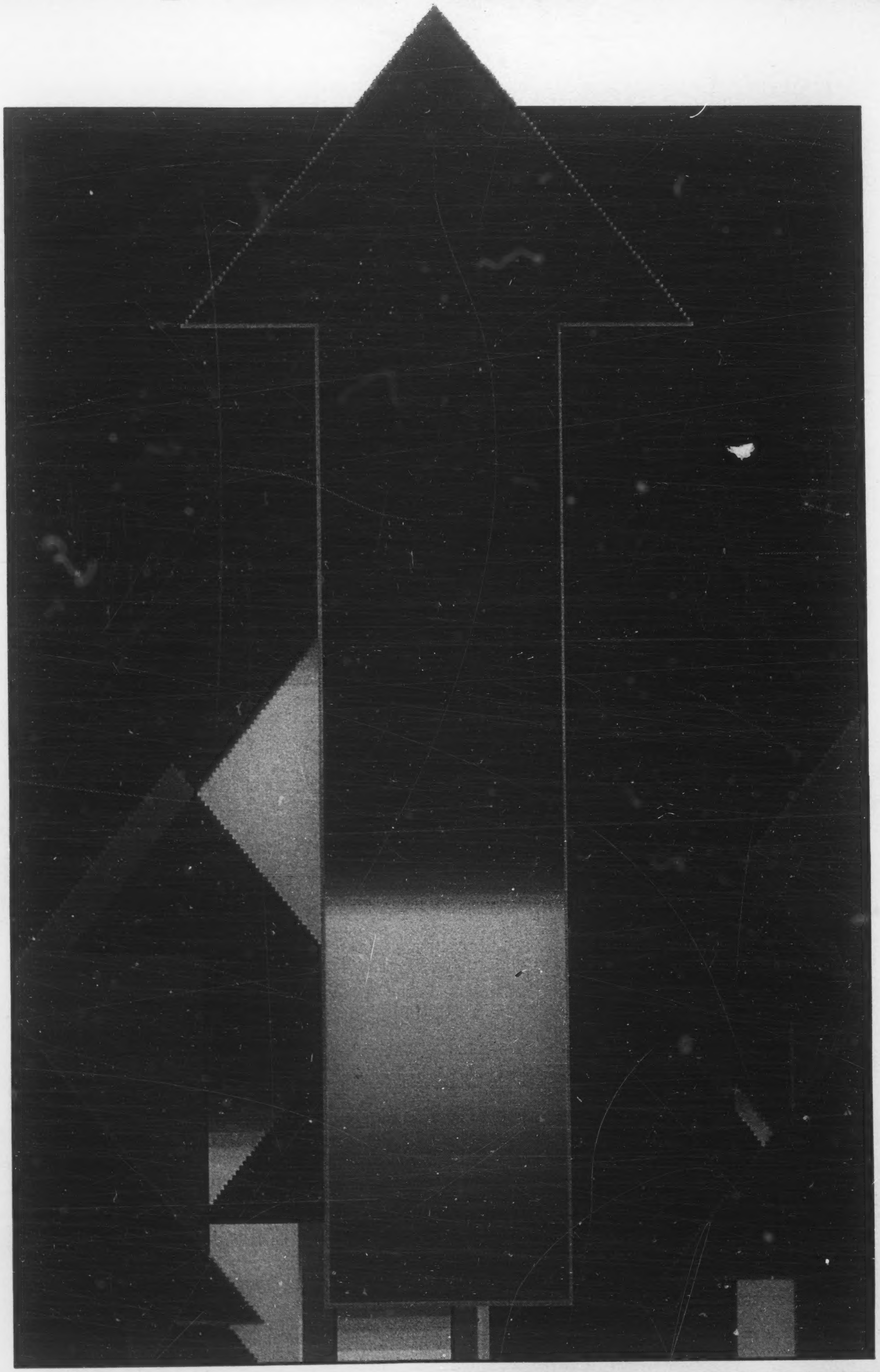
Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 4/8/91	Closing Price 4/18/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.75	6.63	−0.13	− 1.85	25	0.00	0.00	7.56	4.50
OTC	Arbor Drugs (H)	ARBR	27.50	26.50	−1.00	− 3.64	22	0.20	0.75	29.75	13.25
OTC	Big B (H)	BIGB	11.75	12.75	1.00	8.51	− 67	0.00	0.00	13.63	4.75
OTC	Drug Emporium	DEMP	9.00	9.00	0.00	0.00	14	0.12	1.33	11.00	6.25
NYS	Fay's Inc. (H)	FAY	13.13	14.63	1.50	11.43	18	0.20	1.37	15.13	7.25
ASE	Genovese Drug (H)	GDX.A	10.75	10.63	−0.13	− 1.16	13	0.24	2.26	11.00	5.50
NYS	Longs Drug Stores	LDG	41.25	40.88	−0.38	− 0.91	14	1.04	2.54	43.63	30.88
OTC	Medicine Shoppe	MSII	25.50	26.13	0.63	2.45	23	0.24	0.92	26.75	15.50
NYS	Perry Drug	PDS	6.50	7.00	0.50	7.69	− 70	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp. (H)	RAD	46.63	46.63	0.00	0.00	18	1.00	2.14	47.75	29.50
NYS	Walgreen Co. (H)	WAG	35.50	35.00	−0.50	− 1.41	23	0.44	1.26	35.88	20.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	32.50	31.13	−1.38	− 4.23	16	0.40	1.29	32.75	21.38
OTC	Bindley Western Ind. (H)	BIND	17.25	16.75	−0.50	− 2.90	17	0.04	0.24	17.88	8.63
OTC	Cardinal Distribution (H)	CDIC	37.25	37.88	0.63	1.68	31	0.08	0.21	39.50	17.50
OTC	Durr-Fillauer (H)	DUFM	30.25	31.25	1.00	3.31	23	0.24	0.77	31.25	16.00
ASE	Ketchum	KCH	2.38	2.25	−0.13	− 5.26	− 3	0.00	0.00	2.75	1.25
NYS	McKesson Corp.	MCK	32.63	33.25	0.63	1.92	15	1.60	4.81	36.00	26.88
ASE	Moore Medical (H)	MMD	5.63	8.25	2.63	46.67	36	0.00	0.00	8.25	3.50
NYS	Owens & Minor (H)	OMI	19.50	19.75	0.25	1.28	19	0.24	1.22	21.88	10.88
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	49.75	52.75	3.00	6.03	23	1.00	1.90	52.75	33.13
NYS	American Home Products (H)	AHP	58.25	62.63	4.38	7.51	16	2.28	3.64	62.63	43.00
ASE	Barr Laboratories (H)	BRL	15.50	19.00	3.50	22.58	42	0.00	0.00	19.00	5.38
NYS	Baxter International (H)	BAX	34.63	36.75	2.13	6.14	20	0.72	1.96	36.75	20.50
OTC	Block Drugs Co. (H)	BLOCA	53.50	55.00	1.50	2.80	19	0.80	1.45	55.00	29.63
ASE	Bolar Pharmaceutical	BLR	5.13	4.63	−0.50	− 9.76	− 4	0.00	0.00	9.13	1.88
NYS	Bristol-Myers Squibb	BMY	78.25	79.38	1.13	1.44	24	2.40	3.02	80.38	51.75
NYS	Carter-Wallace (H)	CAR	63.75	66.75	3.00	4.71	19	0.92	1.38	66.75	44.88
ASE	Columbia Labs	COB	8.25	8.50	0.25	3.03	− 5	0.00	0.00	13.00	3.63
ASE	Forest Labs	FRX	38.25	38.38	0.13	0.33	44	0.00	0.00	42.13	18.38
ASE	Halsey Drug	HDG	3.50	4.25	0.75	21.43	27	0.00	0.00	5.00	2.13
NYS	ICN Pharmaceutical	ICN	5.63	5.25	−0.38	− 6.67	− 3	0.00	0.00	6.13	2.50
ASE	Lee Pharmaceutical	LPH	1.38	1.38	0.00	0.00	− 6	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition (H)	PLI	12.75	12.75	0.00	0.00	11	0.00	0.00	12.88	6.75
NYS	Lilly Eli Co.	LLY	82.25	82.25	0.00	0.00	20	2.00	2.43	90.38	64.50
NYS	Marion Labs	MKC	38.50	37.00	−1.50	− 3.90	21	0.80	2.16	39.63	22.75
NYS	Merck Co. (H)	MRK	108.00	113.63	5.63	5.21	25	2.24	1.97	113.63	71.63
NYS	Mylan Labs	MYL	27.00	25.50	−1.50	− 5.56	28	0.20	0.78	28.00	13.75
NYS	Par Pharmaceutical	PRX	4.50	4.38	−0.13	− 2.78	− 3	0.00	0.00	8.13	3.38
NYS	Pfizer Inc.	PFE	57.00	56.75	−0.25	− 0.44	24	1.32	2.33	58.38	27.50
NYS	Rhone-Poulenc Rorer	RPR	79.50	79.13	−0.38	− 0.47	− 152	0.84	1.06	83.25	56.75
NYS	Schering Plough	SGP	49.38	50.00	0.63	1.27	20	1.12	2.24	52.25	39.75
NYS	Syntex Corp. (H)	SYN	82.13	85.50	3.38	4.11	24	1.60	1.87	85.50	48.75
OTC	Taro-Vit Industries	TAROF	4.25	4.13	−0.13	− 2.94	− 103	0.00	0.00	4.25	0.88
NYS	Upjohn Co. (H)	UPJ	48.00	47.63	−0.38	− 0.78	18	1.16	2.44	49.25	33.00
NYS	Warner-Lambert	WLA	77.50	79.38	1.88	2.42	22	1.76	2.22	82.25	52.13
OTC	Zenith Labs	ZENL	8.25	8.75	0.50	6.06	12	0.00	0.00	10.00	3.75
Other retailer transactions											
NYS	Albertson's (H)	ABS	47.00	50.63	3.63	7.71	29	0.56	1.11	50.63	27.50
NYS	American Stores (H)	ASC	88.63	90.75	2.13	2.40	17	1.12	1.23	90.75	42.63
NYS	Giant Food	GFS.A	29.75	30.38	0.63	2.10	15	0.60	1.98	31.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	53.63	52.25	−1.38	− 2.56	13	0.80	1.53	59.63	37.75
NYS	Kmart	KM	41.50	42.38	0.88	2.11	11	1.72	4.06	43.50	23.38
NYS	Kroger	KR	23.88	23.38	−0.50	− 2.09	24	0.00	0.00	24.50	10.63
NYS	Melville Corp.	MES	51.75	52.75	1.00	1.93	15	1.44	2.73	57.75	32.75
OTC	Fred Meyer	MEYR	16.25	18.25	2.00	12.31	13	0.00	0.00	18.25	10.00
NYS	Penney, JC	JCP	53.38	51.75	−1.63	− 3.04	11	2.64	5.10	68.00	37.38
NYS	Safeway (H)	SWY	21.38	20.50	−0.88	− 4.09	21	0.00	0.00	21.63	10.25
NYS	Smith's Food & Drug	SFD	42.00	43.00	1.00	2.38	32	0.36	0.84	43.75	24.75
NYS	Wal-Mart (H)	WMT	42.13	42.88	0.75	1.78	38	0.16	0.37	44.25	24.00

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug industry sales climb in trying times



Welcome to Part II of *Drug Store News'* annual coverage of the $67.6 billion drug store industry.

In Part I, the focus was on the performance of the core categories that form the bedrock on which drug stores have built their businesses.

The following pages chronicle significant events and initiatives at some of the major drug chains that helped them grow 9 percent overall during 1990, to become a $43.2 billion force in the industry.

Faced with an uncertain economic climate, increased competition from combos and discount department stores and the changing needs of an ever busier and more diverse population, the drug chains profiled here have pursued their own set of priorities to meet the challenge.

The themes of convenience and service—the two words that will be most important for drug stores in the 1990s—run as a common thread through all the chains' stories this year. A corollary to these twin axioms is employee motivation and training, which more and more drug chain leaders are seeing as key to translating the theory of service into practice.

Many chains forged ahead with technological advances, perceiving the necessity for a sophisticated information system to help them respond quickly to problems and opportunities, better anticipate trends and cut overhead costs.

Others developed programs to build up customer niches, such as senior citizen days, special mailings to new mothers and circulars aimed at teenage shoppers. Several chains created service centers to offer an array of extra services, including faxing, package mailing, money orders and the like in a prominent central in-store location.

The trend toward longer store hours, and more 24-hour stores, continued, in response to the needs of an increasing number of families where more than one adult works full time.

Several chains developed new store layouts that featured brighter lighting, wider aisles, clear and simple overhead and shelf signage, logical adjacencies and anchor positions for some of their strongest departments: pharmacy, cosmetics, photo, HBA.

Chains lavished special attention on pharmacies—the heart of their business—with upgraded computer systems, distinct niches for consultation and an increased emphasis on pharmacist-patient communication.

And several chains seized the chance to penetrate new markets and strengthen their position in existing ones through acquisitional opportunities that resulted from other chains' troubles: Revco's divestiture of 712 stores, the sale of Peoples Drug Stores, the Chapter 11 filings by Fantle's and SupeRx and Medicare-Glaser were some of the main events that changed the drug chain mosaic during the year.

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executive comments

Chain leaders focus on goals for the '90s

Charles R. Walgreen III, Chairman, ceo, Walgreen

The fundamentals of our industry are good. We have a strong consumer franchise, as shown by the industry's positive year in 1990, and the performance of the chains so far this year. Chains now represent 35 percent of the drug stores in the nation and fill almost 40 percent of the prescriptions in the U.S.

We're going to continue to see strong demand for both prescription and over-the-counter drugs in the coming years. That doesn't call for complacency for chains, however, especially with the toughening of competition and the pressures on margins.

The challenge will be to maintain and even improve our health care image, upgrade our service levels, and at the same time lower our cost structure. To help achieve these objectives, Walgreens is investing nearly $130 million in retail technology over three years—roughly $80,000 per store.

We expect to have all Walgreens drug stores on scanning by the end of the year. We completed satellite linkage for virtually all stores and facilities in fiscal 1990, and are enjoying the benefits of improved response time in the pharmacy, as well as expanded transmission capacity.

We're focused on making all our stores more efficient and attractive for both shoppers and employees. New designs are being tested to update the image and "customer friendliness" of the entire store, including cosmetics, the photo department and, importantly, the pharmacy.

Of greatest importance to any business, of course, is its people. We will continue to recruit the best we can find.

Boake A. Sells, Chairman, ceo, Revco

A major challenge facing us all is the matter of trust. The trust of our customers, of those with whom we're allied, such as the medical profession, and of the people who work for us.

People participate—join in the process—to the extent they trust the organization. As drug store operators we need to differentiate our stores from other mass marketers, and to make the most of markets which are being saturated with competitive outlets. We ask a lot of people, both inside and outside the organization.

Trust is an element in shopping a drug store that it is not for any other kind of retailer. In recent weeks we've seen a OTC product-tampering scare. Over many months we've had to address concerns about the production of generic drugs. Ongoing are issues such as the crossovers of prescription to OTC drugs, environmentalism, or the efforts to manage care by third-party administrators.

We all have the challenge of making the public and our own people see that the product we sell is not just medication, but counsel, information, and service as well.

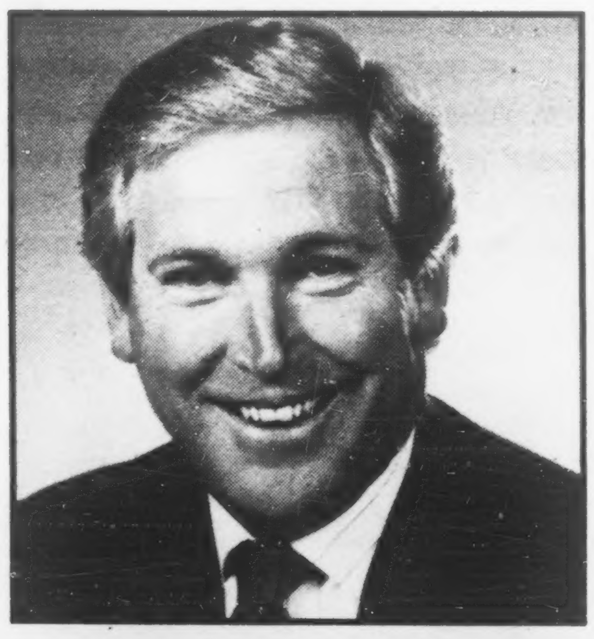
The retail pharmacy is distinctive by the counsel its pharmacists provide. We also must communicate to the medical profession that the prescriber and the pharmacy are a team. The pharmacist does not replace the physician. However, in this busy, product-filled world, counsel by the pharmacist is part of the therapy.

A customer wrote to us about a pharmacist who provided information about a drug being dispensed, saying "never before was I given or told anything" like this information.

"Never before" was this person treated as a participant in her own medication therapy.

Many of us have been busy implementing new management information systems in our chains, recognizing this as a big need in our industry. Such systems deliver high-quality information, necessary for planning and cost-efficiency.

But there's more: information invites participation. And participation helps lay the groundwork of trust.



Tim McAlear, President, ceo, Pay Less

The turbulent economic climate and shifting demographics, along with the continued financial woes, mergers, acquisitions and consolidation of stores in our industry make this a challenging decade.

We are battling increased competition from supermarket combos and discount department stores, as they expand their markets and add pharmacies. In view of this, we are making our pharmacy areas and pharmacists more accessible to our customers. We also opened a mail-order pharmacy—Pay Less Express—this past year in Wilsonville, Oregon.

Our expansion plans for 1991 are aggressive; we anticipate opening 38 new stores this year. Most of our store growth will be in California, in order to obtain a stronghold in this explosive market. The award-winning 45 degree format is used in all new stores and our rate of converting existing stores to this layout is moving at a rapid pace. This store layout allows us to highlight and expand the high traffic power departments, provide critical adjacencies and non-traditional departments.

As margins tighten we are cutting down inventory levels in our stores, but still maintaining an in-stock position. Through POS scanning data and continued pursuit of more advanced technology, we can reduce overhead costs without compromising selection.

As a specialty retailer, we focus on our drug store strengths and pass this on to the customer through personalized service, convenient locations, quality products, extensive assortments of key merchandise and fair prices. We are constantly upgrading our selections and fine-tuning the merchandise mix of core categories.

Consumer preferences are in a constant state of flux and we are actively pursuing them with "chunk merchandising" techniques and micro-marketing. Although consumers are spending less and are more cautious when making purchasing decisions, the basics provided by a drug chain will still be in demand. However, pricing and service will be critical to customer retention and repeat business.

Eugene Applebaum, Chairman, ceo, Arbor

Today, with the expanding lexicon of buzzwords, "corporate culture" describes how an organization manages its opportunities and challenges.

Although Arbor Drugs is still a relatively young company, our corporate culture is firmly established, both in concept and in execution. We are a *stores-driven* operation. At Arbor, every area in our company is here to support our stores' ability to deliver the best overall experience to our customers.

It is no coincidence that every one of our district managers was promoted through the ranks. Each one of these role models first served as a store manager at Arbor. This career path is an important component of our dedication to superior customer service. To understand the pulse of Arbor, one needs to have first-hand experience as a member of our store team. No matter how much larger and more successful our company becomes, the fundamental premise of Arbor Drugs will not change: we will continue to exceed the expectations of customers 365 days a year.

That's why we remain focused on our customer service. That is why implementation, the cornerstone of our corporate culture, is our strategic advantage for the 1990s.

Store consolidation, sales growth mark '90

Evolving character of the chain drug industry

	No. of companies			No. of stores		
Chain store size	**1980**	**1990**	**% change**	**1980**	**1990**	**% change**
Two- to three-store companies	1,908	1,157	−39.4	4,436	2,645	−40.4
Four- to 10-store companies	514	374	−27.2	2,577	1,991	−22.7
11 or more-store companies	152	125	−17.8	12,238	19,105	56.1
Totals	2,574	1,656	−35.7	19,251	23,741	23.3

Source: *Chain Store Guides.*

Average chain drug store performance

Company	Store size (sq. ft.)	Sell space	Sales per store	Sales per sq. ft.
Duane Reade	5,000	5,000	$ 6,139,000	$1,228
Medicine Shoppe	1,200	650	621,000	955
Shoppers Drug Mart	7,500	5,660	4,409,000	779
Longs	23,000	15,410	8,943,000	580
Drug Emporium	25,000	18,500	10,614,000	574
Marc's	30,000	30,000	14,762,000	492
Rock Bottom	20,000	18,000	8,065,000	448
Genovese	12,000	10,500	4,500,000	429
Kinney	8,000	6,500	2,697,000	415
Snyder's	11,000	8,830	3,645,000	413
F&M	24,000	17,000	6,875,000	404
Walgreens	13,800	9,700	3,867,000	399
Wellby	7,293	5,742	2,268,000	395
Arbor	10,800	8,300	3,072,000	370
Thayer	5,500	5,300	1,774,000	335
Discount Drug Mart	18,000	18,000	6,000,000	333
Thrift	9,794	7,651	2,458,000	321
Perry	9,840	9,500	2,886,000	304
American	20,000	18,000	5,426,000	301
Taylor	9,000	8,000	2,381,000	298
Fay's	15,000	12,000	3,416,000	285
Revco	8,600	8,450	2,211,000	262
Rite Aid	6,700	5,800	1,424,000	246
Bartell	12,000	9,000	2,143,000	238
Eckerd	10,000	9,100	2,091,000	230
Thrifty	18,900	14,700	3,155,000	215
K&B	14,100	12,139	2,600,000	214
Carls	12,500	10,000	2,083,000	208
Kerr	9,600	8,000	1,573,000	197
Big B	9,000	7,800	1,511,000	194
Pay Less NW	36,175	26,819	5,115,000	191
Reliable	9,000	7,000	1,298,000	186
Thrifty/White	11,900	9,952	1,775,000	178
Harco	10,000	8,800	1,304,000	148
Phar-Mor	65,000	55,000	6,897,000	125

Source: *Drug Store News* chain drug survey

Top 50 American drug chains: 1990 dollar volume

Rank	Company	Headquarters	Drug store sales (in millions)	% change	Store totals	% change	FY ends
1.	**Walgreens**	Deerfield, Ill.	$6,048	12.4%	1,564	5.4%	8/31/90
2.	**American**[1]	Oak Brook, Ill.	3,695	4.9	681	1.0	2/02/91
3.	**Eckerd**[2]	Clearwater, Fla.	3,500	9.4	1,673	2.6	2/02/91
4.	**Rite Aid**	Shiremanstown, Pa.	3,447	8.3	2,420	2.9	3/02/91
5.	**CVS**[3]	Woonsocket, R.I.	3,288	N.A.	1,351	N.A.	12/31/90
6.	**Revco**[4]	Twinsburg, Ohio	2,490	− 7.8	1,126	− 39.2	6/02/90
7.	**Thrifty**[5]	Los Angeles	2,360	3.6	748	− 2.5	11/30/90
8.	**Longs**	Walnut Creek, Calif.	2,334	10.6	261	5.2	1/31/91
9.	**Hook-SupeRx Inc.**[6]	Cincinnati	1,870	8.1	1,118	3.2	8/31/90
10.	**Pay Less NW**	Wilsonville, Ore.	1,642	10.9	321	9.2	1/26/91
11.	**Phar-Mor**	Youngstown, Ohio	1,600	60.0	232	40.6	6/30/90
12.	**Drug Emporium**[7]	Worthington, Ohio	1,210^{E}	15.0	212	8.7	2/28/91
13.	**Thrift**	Pittsburgh	1,197	8.1	487	3.4	2/01/91
14.	**Fay's**[8]	Liverpool, N.Y.	673	17.2	197	13.2	1/26/91
15.	**F&M**	Warren, Mich.	660^{E}	20.0	96	28.0	1/31/91
16.	**Perry**[9]	Pontiac, Mich.	658	− 2.0	228	6.0	10/31/90
17.	**Med. Shoppe**[10]	St. Louis	539	19.0	870	6.0	9/30/90
18.	**Big B**	Bessemer, Ala.	464	11.0	307	3.4	2/02/91
19.	**Genovese**	Melville, N.Y.	432	6.7	96	2.1	2/01/91
20.	**K&B**	New Orleans	416	6.7	160	4.6	9/30/90
21.	**Pic N' Save**	Jacksonville, Fla.	400^{E}	− 2.4	41	0.0	12/31/90
22.	**Arbor**[11]	Troy, Mich.	341	13.7	98	12.6	7/31/90
23.	**Reliable Drug**	Indianapolis	340	N.A.	262	129.8	7/31/90
24.	**Marc's**	Middleburg, Ohio	310	26.5	21	40.0	6/30/90
25.	**Rock Bottom**	Port Washington, N.Y.	250	18.0	31	14.8	1/31/91
26.	**Duane Reade**	Long Island City, N.Y.	221^{E}	N.A.	36	9.1	12/31/90
27.	**Super D**	Memphis, Tenn.	180	1.1	102	− 1.0	4/30/90
28.	**Discount Drug Mart**	Medina, Ohio	174	17.6	29	11.5	3/31/91
29.	**Kerr**	Raleigh, N.C.	151	16.2	96	7.9	6/30/90
30.	**SGC Drug Div.**	Woodbridge, N.J.	150^{E}	7.1	32	3.1	2/02/91
31.	**Harco**	Northport, Ala.	150^{E}	13.5[12]	115	27.8	7/31/90
32.	**Drug Fair of N.J.**	Somerville, N.J.	150^{E}	11.9	33	3.1	7/31/90
33.	**Snyder**	Minnetonka, Minn.	134	4.0	62	0.0	7/28/90
34.	**A.D. Clark**	Los Angeles	125^{E}	12.6	19	0.0	12/31/90
35.	**Medi-Save**	Baton Rouge, La.	109	17.0	116	− 4.9	5/31/90
36.	**LaVerdiere's**	Winslow, Me.	100^{E}	5.3	65	8.3	1/31/91
37.	**Taylor**	Louisville, Ky.	100^{E}	0.0	42	− 25.0	9/30/90
38.	**Carls Drug**[13]	Rome, N.Y.	100^{E}	0.0	48	− 2.1	12/30/90
39.	**Thrifty/White**	Minneapolis	98	2.6	55	0.0	4/30/90
40.	**Wellby**	Scarborough, Me.	93	6.9	41	− 2.4	12/29/90
41.	**Kinney Drugs**	Gouverneur, N.Y.	89	9.9	33	6.5	12/31/90
42.	**Bill's**	Benecia, Calif.	87^{E}	20.8	26	4.0	4/01/91
43.	**Standard**	Richmond, Va.	82^{E}	1.2	60	0.0	3/31/91
44.	**Dot Drugs**	Bentonville, Ark.	76^{E}	2.7	14	0.0	12/31/90
45.	**Bartell**	Seattle, Wash.	75^{E}	N.A.	35	2.9	12/31/90
46.	**Douglas/Maxidrug**	N. Providence, R.I.	79^{E}	N.A.	21	0.0	3/31/91
47.	**A.L. Price**	Warren, Mich.	70^{E}	N.A.	14	0.0	12/31/90
48.	**Love Stores**	New York, N.Y.	66^{E}	8.2	25	25.0	12/31/90
49.	**Drug Town**	Chariton, Iowa	62^{E}	8.8	20	0.0	12/31/90
50.	**L.F. Widmann**	McElhattan, Pa.	60^{E}	0.0	115	− 7.3	12/31/90

E = estimates

[1] These figures do not include 76 Skaggs units and five Jewel-Osco stores in Fla., which are merging with American Drug Stores this year

[2] Includes Eckerd Visionworks stores

[3] Sales and store totals are pro forma for the year. They include 1990 sales and stores of Peoples, acquired by CVS 9/17/90, and Rix-Dunnington, acquired 11/15/90. Year-to-year comparisons are therefore not applicable

[4] After divestiture of 712 stores in 17 states on 3/15/91

[5] Includes Thrifty, Thrifty Jr. and Pay 'n Save stores only

[6] Includes Hooks, SupeRx and Brooks stores

[7] Includes 114 company-owned and 98 franchised stores. In 1989 there were 79 company-owned and 116 franchised stores.

[8] Not including 48-store Carls Drug, for which Fay's has signed a definitive agreement to acquire

[9] Sales decline reflects sale of A.L. Price

[10] Figures based on calendar year, not fiscal year

[11] Current store count is 111

[12] Same store sales

[13] Fay's has signed a definitive agreement to acquire Carl's

Source: *Drug Store News* chain drug survey

Top Canadian drug chains

Company	Headquarters	Drug store sales (in millions, Canadian)	% change	Store total	% change
Shoppers Drug Mart	Willowdale, Ont.	$2,844	9.0%	645	20.0%
Jean Coutu	Longeuil, Quebec	1,600	17.8	181	10.4
London Drug	Richmond, B.C.	600	33.0	35	12.9
Pharmasave	Langley, B.C.	333	NA	174	35.9
Pharma Plus Drugmarts	Toronto, Ont.	320	14.3	153	43.0
Big V	London, Ont.	300^{E}	21.0	113	9.7
Lawton's Drug Stores	Dartmouth, N.S.	180^{E}	NA	70	0.0

E = estimated

Source: *Drug Store News* chain drug survey

Chains see sales growth; increase in store remodels

Ten-year drug store growth trend

Year	Total stores	Chain stores	Chain share	Indep. stores	Indep. share
1990	53,595	21,096	39	32,499	61
1989	54,439	20,427	38	34,012	62
1988	54,172	19,859	37	34,313	63
1987	53,963	19,142	35	34,821	65
1986	52,800	18,310	35	34,490	65
1985	52,500	17,740	34	34,760	66
1984	52,139	17,194	33	34,945	67
1983	50,264	16,589	33	33,675	67
1982	49,527	16,144	33	33,383	67
1981	49,310	15,864	32	33,446	68

Source: *Drug Store News* 1991 chain drug survey

Ten-year sales trends
(in billions of dollars)

Year	Total industry	% change	Total chain	% change	Total indep.	% change
1990	$67.6	8%	$43.2	9%	$24.4	6%
1989	62.9	9	39.9	11	23.0	5
1988	57.9	8	36.0	10	21.9	5
1987	53.5	6	32.7	8	20.8	4
1986	50.2	7	30.2	7	20.0	7
1985	47.0	9	28.2	11	18.8	6
1984	43.2	9	25.5	12	17.7	5
1983	39.7	10	22.8	11	16.9	8
1982	36.2	8	20.5	11	15.7	5
1981	33.4	10	18.5	12	14.9	8

Source: *Drug Store News* 1991 survey

50 American drug chains: 1990 store count

Rank	Company	Headquarters	Store totals	% change
1.	**Rite Aid**	Shiremanstown, Pa.	2,420	2.9%
2.	**Eckerd**[1]	Clearwater, Fla.	1,673	2.6
3.	**Walgreens**	Deerfield, Ill.	1,564	5.4
4.	**CVS**[2]	Woonsocket, R.I.	1,351	71.2
5.	**Revco**[3]	Twinsburg, Ohio	1,126	– 39.2
6.	**Hook-SupeRx**[4]	Cincinnati	1,118	3.2
7.	**Med. Shoppe**	St. Louis	870	6.0
8.	**Thrifty**[5]	Los Angeles	748	– 2.5
9.	**American**[6]	Oak Brook, Ill.	681	1.0
10.	**Thrift**	Pittsburgh	487	3.4
11.	**Pay Less NW**	Wilsonville, Ore.	321	9.2
12.	**Big B**	Bessemer, Ala.	307	3.4
13.	**Reliable Drug**	Indianapolis	262	129.8
14.	**Longs**	Walnut Creek, Calif.	261	5.2
15.	**Phar-Mor**	Youngstown, Ohio	232	40.6
16.	**Perry**	Pontiac, Mich.	228	6.0
17.	**Drug Emporium**[7]	Worthington, Ohio	212	8.7
18.	**Fay's**[8]	Liverpool, N.Y.	197	13.2
19.	**K&B**	New Orleans	160	4.6
20.	**Medi-Save**	Baton Rouge, La.	116	– 4.9
21.	**Harco**	Northport, Ala.	115	27.8
22.	**L.F. Widmann**	McElhattan, Pa.	115	– 7.3
23.	**Super D**	Memphis, Tenn.	102	– 1.0
24	**Arbor**[9]	Troy, Mich.	98	12.6
25.	**F&M**	Warren, Mich.	96	28.0
26.	**Genovese**	Melville, N.Y.	96	2.1
27.	**Kerr**	Raleigh, N.C.	96	7.9
28.	**Medicap Quality**	Des Moines, Iowa	75	7.1
29.	**LaVerdiere's**	Winslow, Maine	65	8.3
30.	**Snyder**	Minnetonka, Minn.	62	0.0
31.	**True Quality**	McKinney, Texas	61	7.0
32.	**Standard**	Richmond, Va.	60	0.0
33.	**Thrifty/White**	Minneapolis	55	0.0
34.	**Wil-Car Enterpr.**	Wheelersburg, Ohio	54	6.9
35.	**Taylor**	Louisville, Ky.	42	– 25.0
36.	**Wellby**	Scarborough, Me.	41	– 2.4
37.	**Pic N' Save**	Jacksonville, Fla.	41	0.0
38.	**Begley Drugs**	Knoxville, Tenn.	39	NA
39.	**Duane Reade**	Long Island City, N.Y	36	9.1
40.	**Bartell**	Seattle, Wash.	35	2.9
41.	**Kinney Drugs**	Gouverneur, N.Y.	33	6.5
42.	**Drug Fair of N.J.**	Somerville, N.J.	33	3.1
43.	**May's Drug Stores**	Tulsa, Okla.	32	NA
44.	**SGC Drug Div.**	Woodbridge, N.J.	32	3.1
45.	**Rockbottom**	Port Washington, N.Y.	31	14.8
46.	**Thayer**	Stoughton, Mass.	31	3.3
47.	**Discount Drug Mart**	Medina, Ohio	29	11.5
48.	**Bill's**	Benecia, Calif.	26	4.0
49.	**Medic Discount**	Cleveland, Ohio	23	9.5
50.	**Marc's**	Middleburg, Ohio	21	40.0

E = estimates

[1] Includes Eckerd Visionworks stores
[2] Includes Peoples drug stores acquired 9/17/90 and Rix Dunnington acquired 11/15/90.
[3] After divestiture of 712 stores in 17 states on 3/15/91
[4] Includes Hooks, SupeRx and Brooks stores
[5] Includes Thrifty, Thrifty Jr. and Pay 'n Save stores only, not Bi-Mart
[6] Figures do not include 76 Skaggs units and five Jewel-Osco stores in Fla., which are merging with American this year
[7] Includes 114 company-owned and 98 franchised stores
[8] Not including 48-store Carls drug
[9] 111 stores currently

Source: *Drug Store News* chain drug survey

Chain drug store remodeling

Company	'90 total stores	Number of major remodels		
		1990	1989	1988
Revco	1,126	270	NA	125
Walgreens	1,564	165	166	60
Eckerd	1,674	135	189	267
Rite Aid	2,420	132	237	245
Perry	229	38	50	40
Thrift	487	37	30	14
Medicine Shoppe	870	35	35	30
Pay Less NW	321	21	6	4
Medicap	75	20	8	0
Big B	307	10	12	26
Phar-Mor	232	10	4	NA
Thrifty	748	9	14	37
Bartell	35	8	2	2
Fay's	197	6	NA	5
Snyder's	62	6	8	5
Duane Reade	36	6	6	5
Harco	115	5	5	3
Rock Bottom	31	4	4	5
Longs	261	3	0	NA
F&M	96	3	3	6
LaVerdiere's	65	3	NA	NA
Thrifty/White	54	3	3	4
Medic Drug	23	3	2	3
K&B	160	2	2	4
Kerr	96	2	4	4
Taylor	42	2	1	4
Kinney	33	2	2	2
Thayer	31	2	2	2
Hannaford/Wellby	41	1	NA	2

Source: *Drug Store News* 1991 survey of drug chains.

ANNUAL REPORT PART II

mergers. acquisitions. stock review

The year's acquisition activity

Company	Acquisition	Store Locations
Reliable	221 Revco D.S. stores	Ind., Ill., Iowa, Ky., Tenn. (western), Kans., Mich., Mo.
Perry Drug	From Reliable, 16 Revco stores (in May 1990)	Detroit
	From Reliable, 24 Revco stores (June 1990)	Detroit and other Mich. markets
Jack Eckerd Corp.	220 Revco stores	Fla., La., Miss., Okla., Texas
Melville Corp. (CVS)	Peoples Drug Stores (490 stores) from Imasco Ltd.	Washington, D.C.; Va.; W. Va.; N.C.; Pa.; N.Y.
	2 Fantle's stores leases	Wash., D.C.
	23 Rix-Dunnington drug stores	Mass.
Big B	8 Revco stores	Ala., Ga., Miss.
Harco	19 Eckerd stores (in May 1990)	Mobile and Montgomery, Ala.
	2 Revco stores	Ala.
May's Drug Stores	6 Revco stores	Okla.
Concord/Wrigley	Fairlane Drugs (5 stores)	Detroit
RDS	147 Revco stores	Ariz., New Mex., Texas, Colo.
	18 SupeRx store leases	Ariz.
Rite Aid	Becker Discount Drug (10 stores)	Cincinnati
	8 Taylor Drug stores	Ky.
	8 Fantle's store leases; the prescription files of all 65 Fantle's stores	Wash., D.C.
Begley Health Mart	37 Eckerd stores	Tenn. (eastern), Va.
Walgreens	Bought assets of 73 Medicare-Glaser stores	St. Louis
Fay's	Agreement to buy Carls Drug Stores (48 units)	upstate N.Y.
Pay Less	Agreement to buy 51 Osco stores (from American Drug)	Colo., Utah, Wyo.
Maxidrug (Jean Coutu Group's U.S. division)	Merger with 16 Douglas Drug stores	Rhode Island, Conn., Mass.

Source: *Drug Store News* research

Revco sell-off triggers aftershocks in drug industry

Revco D.S.'s plans, announced early last year, to sell 712 drug stores triggered seismic acquisitional activity that changed the drug chain landscape during 1990 even more than the selloff of Peoples' Midwestern division did the year before.

When the dust settled, one new chain, RDS, had emerged as a major player in the Southwest, and several chains had strengthened their positions in various markets around the country.

Reliable Drug in Indianapolis, born of the Peoples' Midwest selloff, almost tripled its size last spring with the purchase of 221 Revco stores in eight states. Reliable then turned around and sold 40 Revco stores in Michigan, in two parcels, to Perry Drug within two months, solidifying Perry's market share in Detroit and putting it in new markets outside Detroit. Perry meanwhile sold A.L. Price, its deep-discount division, to Bill Edwards, former president of F&M Distributors and Revco D.S.

The big gulp

In June, Jack Eckerd Corp., in its largest purchase since going private, gulped down 220 Revco stores in five states from Texas to Florida, fortifying its presence in key markets it already operated in—Dallas-Fort Worth, Oklahoma City and Jacksonville, Fla.

In moves to focus its resources on key markets, Eckerd sold 19 stores in Mobile and Montgomery, Ala., to Harco Drug and sold 37 stores in eastern Tennessee and Virginia to former Kentucky drug store operator Bob Begley and a partner. The respective Eckerd store sales bolstered Harco's position in two key Alabama markets and put Begley back into the drug store arena, with Begley Health Mart.

The selloff of Revco stores continued, with Big B and May's Drug snapping up eight and six stores, respectively, and other drug store operators purchasing one or two Revco units during the spring and summer.

Then, in August, RDS Acquisition Corp., an investment group led by drug and discount store operator Alvin Towle, brought to a close Revco's divestiture program by purchasing about 147 Revco stores in the West and Southwest.

Not long afterward, the RDS group outbid Walgreens and others in U.S. Bankruptcy Court in Phoenix to buy 18 SupeRx leases and the inventory of 22 stores.

During the summer, Imasco Ltd. set off new reverberations in the industry by selling Peoples Drug Stores to Melville Corp., parent of CVS. Although the Peoples name was retained, the 490-store acquisition greatly expanded CVS' reach and ensconced Melville's drug store operations emphatically in the Washington, D.C., market.

Washington, D.C. was the scene of further retail drug store reshuffling. The liquidation of Fantle's Drug Stores was particularly advantageous for Peoples (CVS), Rite Aid, Drug Emporium and F&M. Rite Aid swooped in and snapped up the prescription files and drug inventories of all 65 Fantle's stores and subsequently bought eight store leases. Peoples (CVS) acquired two choice Fantle's store leases. Both Drug Emporium and F&M strengthened their presence in the Washington, D.C. market by landing leases on several sought-after larger stores.

Toward the end of 1990, Jean Coutu Group negotiated a merger of its U.S. operation, MaxiDrug, with 16-store Douglas Drug, which operates primarily in Rhode Island.

Soon after, Walgreens succeeded in buying the assets of 73 Medicare-Glaser stores in the Midwest.

Early in 1991, Fay's acquired Carls Drug, eliminating one source of competition in New York State.

And last month, Pay Less acquired 51 Osco stores from American Drug Stores in Colorado, Utah and Wyoming, giving it an especially solid perch in the Denver market.

Drug chain stock strength quickens investors' pulses

Exch	Company	Ticker Symbol	Closing Price 4/2/90	Closing Price 4/1/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
	Chain store transactions										
OTC	Accuhealth Inc.	ACCU	5.44	6.88	1.44	26.43	26	0.00	0.00	7.56	4.50
OTC	Arbor Drugs	ARBR	18.00	26.13	8.13	45.14	22	0.20	0.77	24.50	13.25
OTC	Big B	BIGB	10.63	10.63	0.00	0.00	−62	0.00	0.00	12.13	4.75
OTC	Drug Emporium	DEMP	7.38	8.38	1.00	13.56	14	0.12	1.43	11.00	6.25
NYS	Fay's Inc.	FAY	8.75	12.75	4.00	45.71	16	0.20	1.57	13.00	7.25
ASE	Genovese Drug	GDX.A	7.63	10.38	2.75	36.07	13	0.24	2.31	10.88	5.50
NYS	Longs Drug Stores	LDG	40.75	40.50	− 0.25	− 0.61	14	1.04	2.57	43.63	30.88
OTC	Medicine Shoppe	MSII	22.25	24.50	2.25	10.11	22	0.24	0.98	26.75	15.50
NYS	Perry Drug	PDS	8.13	6.38	− 1.75	−21.54	−65	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp.	RAD	30.50	43.75	13.25	43.44	18	1.00	2.29	47.00	29.50
NYS	Walgreen Co.	WAG	21.00	33.63	12.63	60.12	24	0.44	1.31	35.75	20.63

Note: Walgreen Co. completed a 2-for-1 split in February 1991.

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug chain stocks showed strength in a stagnant economy, posting hefty gains during the 12-months ended April 1, 1991.

The *Drug Store News* Stock Index ran like a bull: 11 chain stocks soared 45 percent to a record high of 4,153.48, while the Dow Jones Industrial Average rose 7 percent. Ah, recession resistance.

Investors certainly went shopping for shares of Walgreen last year, riding the coattails of that retailer's strong earnings momentum. The bottom line at the retailing giant last year: fiscal 1991 net income rose to $67.4 million from $61.9 million in fiscal 1990. Walgreen was the best performing stock of the lot last year, up 60 percent.

Rite Aid also had a prescription for success last year, and added a hefty $13.25 (or 43 percent) to its share price to close at $43.75. It also boasted a strong income statement.

To capitalize, Rite Aid said it will sell 4.75 million common shares to the public.

Fay's also had a winning formula last year, sprouting 46 percent to $12.75.

Fay's at press time was expected to complete the acquisition of 48-store Carls Drug by the end of April—a deal estimated at $30 million-plus, which could boost Fay's revenue up to 30 percent in 1991.

Arbor Drugs chimed in with impressive numbers, as its stock leapt 45 percent to $26.13 per share. Arbor also posted solid earnings,up 20 percent to $1.15 a share. In the same vein, first half fiscal 1991 earnings rose 11 percent to $6.8 million $200 million sales, up 18 percent.. Coming in May: a 3-for-2 stock split. And Genovese, which doubled its earnings per share to 82 cents, scored a 36 percent stock price gain to $10.38.

Chain drug designers unleash slew of creative new formats

Creativity is alive and well in the back offices and sales aisles of North America's drug chains. From the largest to the smallest, drug chains continue to tinker aggressively with their store designs and retrofit new ideas into older stores at a furious clip.

They have plenty of competition. Food/drug combo powerhouses like Kroger, American Stores, Vons, Smith's Food and Drug, Randall's, Tom Thumb/Page and H.E.B. have all unveiled radically different prototypes since the mid-to-late 1980s, luring customers with seductive store designs that offer a vast array of products and services. The food chains are using glitzy decor, roomy aisles and dramatic mid-floor service islands to enhance their one-stop appeal. It's a powerful weapon.

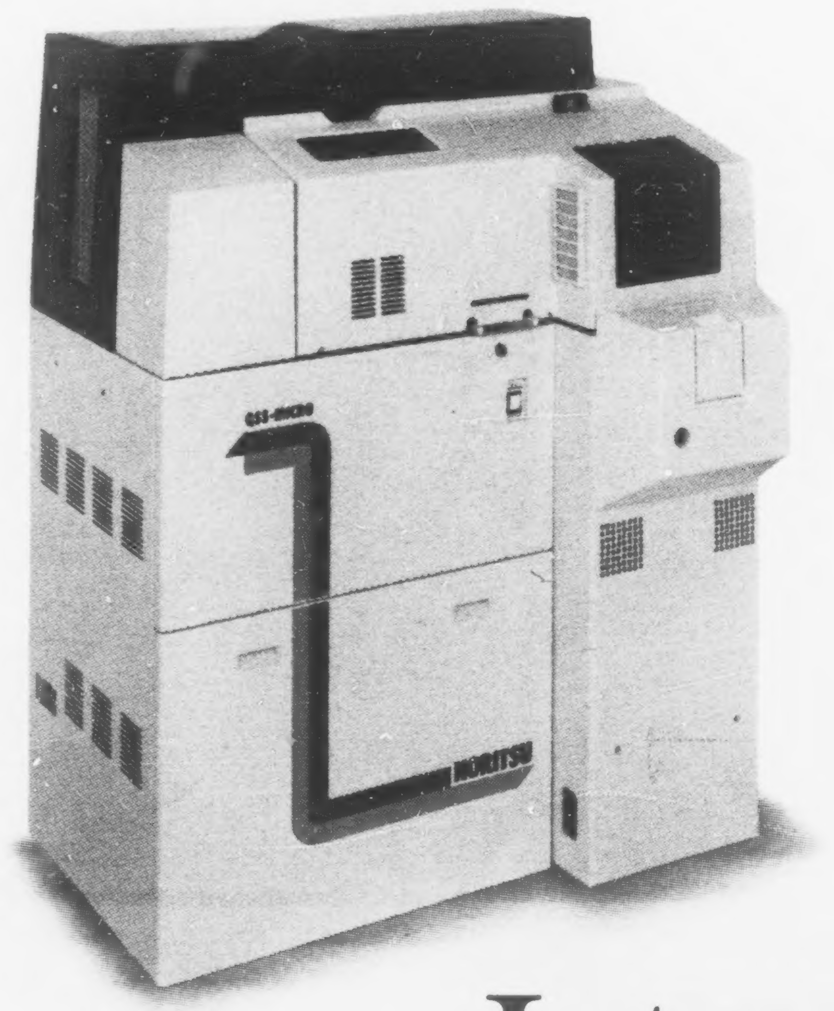
Discount chains like Kmart, Wal-Mart and Target have also gone the redesign route. Kmart, in particular, has begun a rapid rollout of its dramatically redesigned format, which gives pharmacy and HBA stronger play and visibility at the front of the stores. To counter those efforts and maintain their competitive edge, dozens of drug chains are rolling out major and minor redesigns of their own. In general, the state-of-the-art thinking in drug store design includes a much sharper focus on the core departments: pharmacy, cosmetics/fragrances, greeting cards, photofinishing and toiletries. Service islands, bolder signing, alcoves and spotlighting are often used to highlight departments.

Here's some of the past year's highlights:

- Genovese Drug Stores has opened what it calls a "Greenhouse Store" on Long Island to "grow" new ideas. Among them: a bar-code price-check kiosk for customers; a prominent one-hour photo lab and service peninsula; mirrored and accent lighting; snappy, simple departmental signing; sleek permanent aisle modules for special displays.
- CVS' Peoples division has begun developing a new format to incorporate CVS merchandising techniques and decor, with lower fixtures, carpeting, customer-accessible pharmacies, and a somewhat narrower merchandise mix. Some 100 stores will get the facelift this year.
- Bill Edwards and company have completely redesigned A.L. Price since its acquisition last year, with a far more dense and much broader mix.
- Super D Drugs in Memphis unveiled a new format in two stores, with front-of-store cosmetics counters; mini-food departments; and fewer promotional items.
- Snyder Drug Stores in Minneapolis rolled out its new prototype Jan. 13. Highlights include "Yes Express," a new service center with shipping, faxing, ticketing, customized printing and other services; service cosmetics island which

Continued on page 34

Upgraded cosmetics-fragrance departments grew more common at conventional chains this past year, as at Fay's, Syracuse, N.Y.



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Other vital stats: diversification, competition

Top deep discounters

Company (parent)	Headquarters	$ sales (millions)	% change	Stores	% change
Phar-Mor	Youngstown, OH	$1,600	60.0%	232	40.6%
Drug Emporium*	Worthington, OH	1,210E	15.0	212	8.7
F&M	Warren, MI	660E	20.0	96	28.0
Pic 'N Save (Nat'l Merchandise Co.)	Jacksonville, FL	400E	– 2.4	41	0.0
Marc's	Middleburg, OH	310	26.5	21	40.0
Rock Bottom	Port Washington, NY	250	18.0	31	14.8
Freddy's (Melville)	Woonsocket, RI	194	20.7	29	16.0
Drug Palace (Rite Aid)	Shiremanstown, PA	82E	1.2	40	0.0
Dot Drugs	Bentonville, AR	76E	2.7	14	0.0
A.L. Price	Pontiac, MI	70E	NA	14	0.0
Rx Place (Woolworth)	New York, NY	66E	NA	22	100.0
Drug World (SupeRx)	Cincinnati	40E	NA	13	0.0
Drugs for Less (Big B)	Bessemer, AL	40E	NA	18	12.5
Cost Cutters (Community Distributors)	Somerville, NJ	37E	NA	8	NA
Sid's	Hudson, OH	32E	NA	7	NA
Joel & Jerry's	Largo, FL	26E	NA	6	NA
Drug Castle (Brown)	Springfield, OH	25E	NA	3	NA
Price Less	Sacramento, CA	17E	13.3	3	50.0
Ike's (Super D)	Memphis	16E	NA	4	0.0
Maxidrug (Douglas)	W. Springfield, MA	15	25.0	5	25.0
Great American (Genovese)	Melville, NY	6E	NA	2	0.0
Jake's	Brockton, MA	5E	NA	1	0.0

*114 company-owned and 98 franchised stores
E = estimate

Source: *Drug Store News* 1991 chain drug survey

Retail diversification of major retail chains

Company	Store type	No. of stores 1990	1989
Harco	Auto parts Home health	33 11	29 NA
Walgreens	Home health	4	4
Eckerd	Eye care superstores Optical Express photo labs	44 41 258	29 71 126
Medi-Save	Optical	25	4
Big B	Home health Deep discount	3 18	5 16
Rite Aid	Deep discount Book stores Dry cleaning Auto parts	40 62 172 79	40 48 168 74
Fay's*	Auto parts Stationery	26 26	24 17

* Does not include Carls Drug 48-store purchase
Source: *Drug Store News* chain drug survey

Mass merchandisers with pharmacy

Company	Headquarters	No. of stores	No. of Rx depts.
Kmart	Troy, Mich.	2,300	1,223
Wal-Mart	Bentonville, Ark.	1,578	1,095E
Fred Meyer	Portland, Ore.	122	96
ShopKo	Green Bay, Wis.	107	103
Bi-Mart	Portland, Ore.	43	43
Pamida	Omaha, Neb.	177	23
Target	Minneapolis	420	21
Fedco	Santa Fe Springs, Cal.	9	9
Caldor	Norwalk, CT	122	3

Source: *Drug Store News* survey

Chains unleash new formats

Continued from page 33

maintains files on important customers; upgraded, patient-friendly pharmacy layout; and STARS (Snyder's Total Automated Retail System).

- Walgreens has begun the long-awaited redesign of its cosmetics/fragrance departments, which company officials acknowledge is out of date. Already being tested are drive-through pharmacies.
- Pay Less Drug Stores is scoring a hit with most customers with its "45" store design, first unveiled two years ago and now up in more than 50 stores. The format is a total redesign, with wide aisles radiating out from a central cosmetics arena to core perimeter departments like pharmacy and photo. The format allows for far more endcaps and easier shopping.
- Perry Drug Stores is also moving ahead rapidly with chainwide renovation to its "Store of the '90s" format. Another 38 stores were overhauled last year, and 40 more are on tap in '91.

Leading supermarket companies with pharmacies

Company	Total stores	No. with Rx depts.	% change
Kroger	2,245	491	3.8%
Safeway	1,118	393	NA
Albertsons	523	258	14.2
Jewel Osco[1]	143	143	1.4
Pathmark	142	137	– 1.4
Lucky Stores[1]	411	118	51.3
Gi[illegible] Food	150	102	5.2
Vons	328	96	–17.9
Smith's Management	96	94	6.8
H.E. Butt	154	92	–14.0
Shop Rite	110	89	6.0
Skaggs Alpha Beta[1]	81	81	– 6.9
A&P Supermarkets	1,237	66	–12.0
AppleTree (Safeway Stores)	96	64	– 3.0
King Soopers[2]	66	64	– 3.0
Raley's	61	61	8.9
Giant Eagle	130	58	28.9
Meijer	59	56	7.7
Furr's	141	54	–15.6
Grand Union	304	53	26.2
Kash 'n Karry	117	49	6.5
Homeland	109	48	NA
National Supermarkets/ Kare Pharmacy	57	47	56.7%
Stop & Shop	116	42	40.0
Randall's	40	40	14.3
Schnuck's	56	39	30.0
Wegman's	42	38	–15.5
Farm Fresh	64	37	– 7.0
Dillon's[2]	61	36	9.1
Tom Thumb/Page	59	36	–25.0
Consumers Markets	37	30	30.4
Publix	368	29	38.1
Dominick's Finer Foods	95	29	93.3
Minyard[3]	75	29	12.5
Buttrey Food-Drug	27	27	–49.1
Hannaford Bros.	74	26	49.0
Bruno's	207	20	25.0
Smitty's Super Valu	24	20	–16.7
Erickson Food & Valu Drug	16	16	14.3
Carr's Quality Centers	14	14	7.7
Dahl's Food Markets	13	13	0.0
Foodway	32	12	20.0

1. A division of American Stores 2. A division of Kroger 3. Includes 10 pharmacies in 19 Sack 'n Saves

Source: *Drug Store News For the Pharmacist* research, Towne-Oller, *Chain Store Guides*

Computer breakthroughs helping chains mind their own business

Drug chains are gaining more control over their businesses, thanks to new technology and computer-based systems.

POS, pharmacy and direct store delivery systems, for example, give chains central control over pricing and other functions. And headquarters can respond fast to local variables.

Stores reference centrally-maintained files for current data, whether it be on the price of a bottle of shampoo, or on the eligibility of a patient in a third party prescription plan. Headquarters receives timely windows on store activity, particularly if files are being updated in a "real time" mode.

As chains obtain clearer, more frequent views of what is happening in their stores, they are better positioned to take the right approach with their customers.

Revco and Thrift were the major chains reaching 100 percent rollout of advanced POS systems with scanning. Pay Less has mostly completed its installation. Kinney, Discount Drug Mart and Dot Drugs virtually reached 100 percent.

On a large scale, Walgreens surged forward, with its equipping of 51 percent of stores this year. CVS moved from zero to 15 percent.

Yet, not all chains are commited to scanning, though they may be using advanced systems and capturing price/item sales by manual key-in of a product code. Eckerd stayed with a small group of scanning stores. Rite Aid didn't increase scanning. Longs still has a small group. Genovese and Big B didn't strongly increase tests.

However, Revco foresaw thousands of dollars in savings per store per year as all 1,126 stores were installed. Tailored software features allowed automatic discount deductions for Revco programs. Executives anticipated improved merchandising from the close sales tracking and fast reception of results. Buyers got monthly sales reports compared to the quarterly reports before.

Checkout productivity isn't as high on drug chains' want lists as at groceries. The exception: deep discounters, which do grocery-sized volumes. F&M Distributors cost-justified its NCR POS system on labor savings from checkout productivity.

Chains must ensure the prices in their electronic price files at checkout match those on shelves. In a typical supermarket setting where shelf audit procedures aren't carefully observed, a high percentage of prices don't match, shelf audit system industry sources maintain. Correct procedure can reduce errors to 2/10 of one percent.

Shelf audit systems by Telxon and Symbol MSI debuted this year. Revco, for example, uses Telxon's radio frequency system. The "RF" system employs the same "spread spectrum" technology used in new "wireless store" systems in which cash registers and controllers are linked by radio wave. By speeding shelf audit, RF and the portable terminals employed with it free store managers further from adminstrative tasks and allow for more customer service.

Control of DSD products was also addressed to improve on the traditional "blind" receipt of products. To be sure products delivered at the back door are the correct SKUs, count and price, "RF" or "batch" technologies are now being used with portable terminals.

Receiving associates could be on-line to a personal computer, or files with purchase orders could be downloaded into a portable to be summoned when needed. The vendor's invoice becomes null and void, as the store dictates the invoice, and central control predominates over direct-delivered products.

Pharmacy upgrade

Pharmacy systems continued to be upgraded. Hook-SupeRx's three divisons, for example, launched a drug utilization review program, after enhancing pharmacy software that resides centrally in the Pawtucket, R.I. headquarters of Brooks Drug. Pharmacists have on-line access to needed information.

Thrift in Pittsburgh added functions that alert pharmacists to generic drug equivalents, and verify doctors' DEA registration numbers for controlled substances. As at HSI, Thrift pharmacists perform third-party transactions by referring to a central data base where all information is held for on-line access and updating. Perry launched its similarly-centralized PerryLink.

More chains implemented buying software, or so-called "foreasting" systems for replenishment and on-deal buying. The systems allow accurate prediction of demand, and weigh financial factors. Accurate ordering improves service levels, while allowing overall inventory reduction.

You're looking good at Genovese!
CHECK YOUR PRICES HERE
LIGHTERS
DRESS-UP

Customer loyalty is built in many ways, such as this kiosk at Genovese, Bay Shore, N.Y., where shoppers can check prices.

Drug chains with scanning

Company	No of. stores	No. with scanning	% with scanning
Revco	1126	1126	100.0
Walgreens	1564	800	51.2
Rite Aid	2420	600	24.8
Thrift	487	476	97.7
Pay Less NW	321	300	93.5
CVS	1351	202	15.0
Thrifty	748	172	23.0
Big B	307	115	37.5
Fay's	197	110	55.8
F&M	96	96	100.0
Kinney	33	31	93.9
Eckerd	1674	29	1.7
Discount Drug	29	28	96.6
Arbor	111	20	18.0
Phar-Mor	232	20	8.6
Dot Drug	14	14	100.0
Genovese	96	8	8.3
Snyder's	62	7	11.3
Longs	261	6	2.3
Lewis Drugs	7	6	85.7
I Got It At Gary's	4	4	100.0
LaVerdiere's	65	2	3.1
Drug Barn	6	1	16.7

Source: *Drug Store News* 1991 chain drug survey

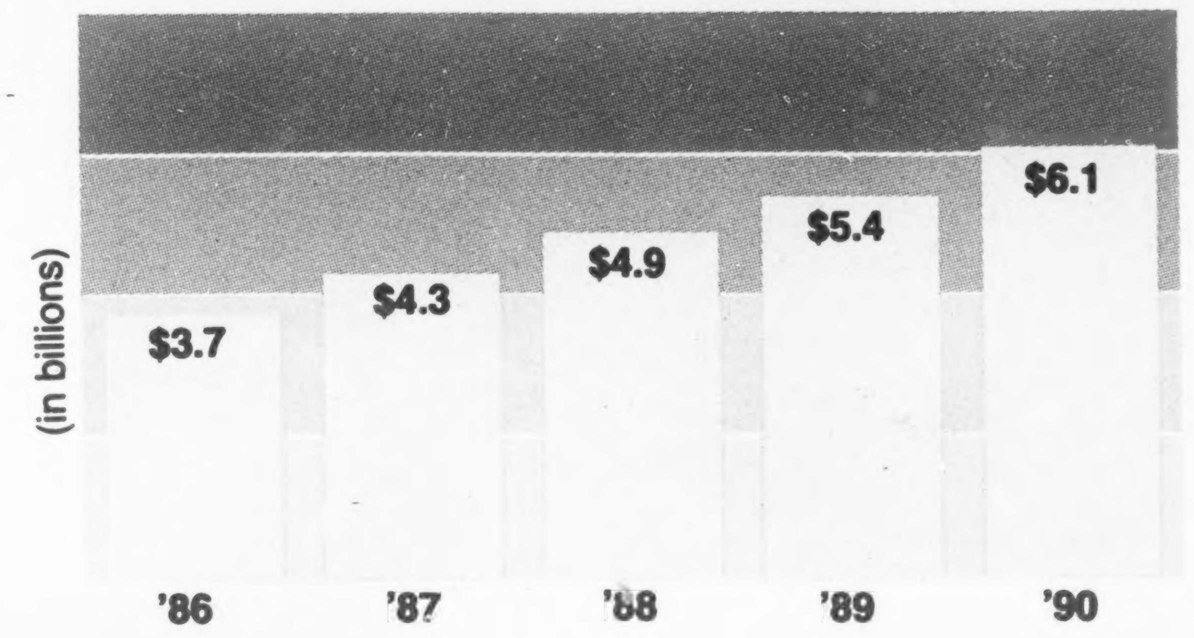
Top warehousing drug chains

(Ranked by 1991 distribution center square feet)

	1990		1991	
Company	No. of DCs	Total sq. ft.	No. of DCs	Total sq. ft.
CVS	4	2,075,000	5	3,194,000
Walgreens	7	2,378,000	8	2,745,000
Revco	8	2,070,622	5	N/A
Eckerd	6	1,860,000	6	1,900,000
Thrifty	8	N/A	5	1,804,000
Rite Aid	5	1,389,000	5	1,389,000
Phar-Mor	3	1,185,000	3	1,185,000
Pay Less	2	1,000,000	2	1,000,000
Fay's	2	730,000	2	760,000
Thrift	3	668,572	3	691,000
K&B	2	453,000	2	453,000
Big B	2	400,000	1	440,000
Perry	1	400,000	1	400,000
Snyder's	1	365,000	1	365,000
Marc's			2	300,000
Genovese	1	255,000	1	265,000
Wellby	1	280,000	1	250,000
Reliable Drug	1	250,000	1	250,000
Rock Bottom	1	200,000	1	250,000
Arbor	1	233,600	1	233,600
Wil-Car	1	193,000	1	193,000
Harco	2	185,000	2	190,000
Discount Drug	1	160,000	1	181,000
Duane Reade	1	150,000	1	160,000
Kerr	1	108,000	1	125,000
Medicine Shoppe	2	120,000	2	120,000
Kinney	1	115,000	1	105,000
LaVerdiere's	1	100,000	1	100,000
Bartell	1	50,000	1	80,000
F&M	1	77,000	1	77,000
Medic Discount	1	38,500	1	38,500
Thayer	1	37,500	1	37,500
Medi-Save	1	28,000	1	28,000
Super D	1	25,000	1	25,000

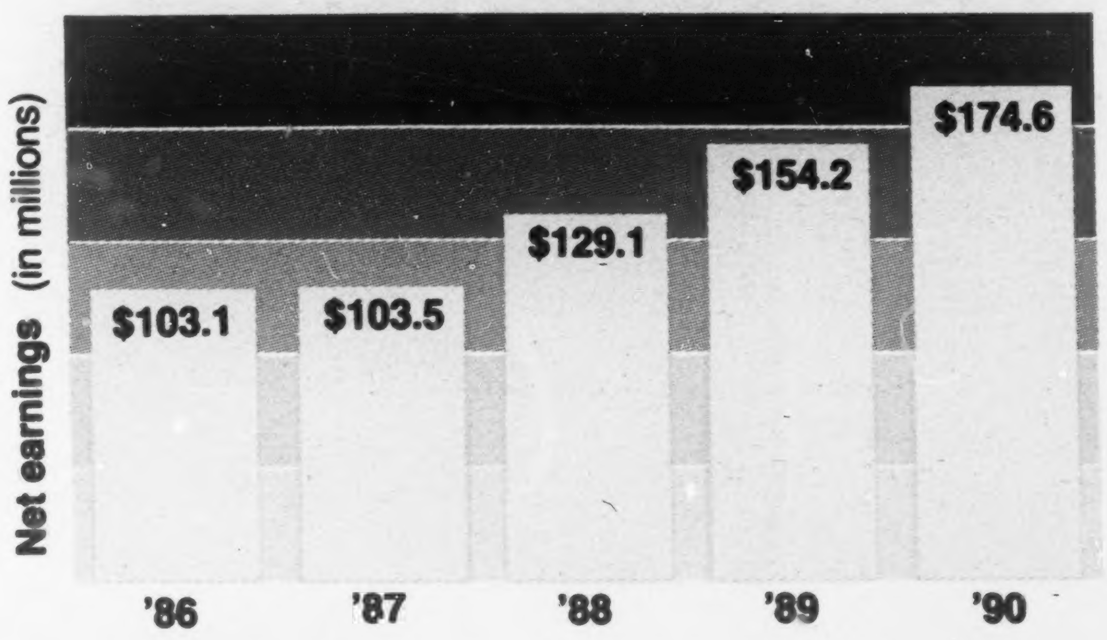
Source: *Drug Store News* chain drug survey

Walgreens five-year sales trend



FY ended Aug. 31, 1990
Source: Company reports.

Walgreens five-year earnings trend



FY ended Aug. 31, 1990
Source: Company reports.

Walgreen Co. retains strong hold on top industry spot

CHICAGO — Like the city in which it was born 90 years ago, Walgreen Co. makes no little plans. The chain drug giant will spend another $200 million this year on new stores, renovations, retail automation and other capital improvements in a determined bid to outrun any signs of complacency.

Walgreen's ongoing efforts should be enough to keep it solidly at the top of the chain drug industry through the 1990s, barring some major unforeseen upheaval. The chain has spent over $1 billion since the mid-1980s to expand its store base, increase market share around the U.S. and arm itself with the technological expertise to carry it into the 21st century. It is now spending roughly $130 million—over $80,000 per store—on POS scanning and inventory management systems over a 3-year period.

That's one of a slew of programs aimed at boosting productivity and streamlining the Walgreens machine, already one of the most efficient money-making powers in all of retailing. The reason for all this effort by the nation's most profitable, highest-grossing drug chain is simple, according to company executives. "Either you're getting better in this business, or you're getting worse," said chairman and ceo Cork Walgreen early this year. "I'm convinced the key to Walgreen's success in the future will be to have the strategy—let's call it the abiding attitude—of continual improvement."

Thus, the chain has already installed more than half its 1,599 stores with scanning systems, and should have chainwide POS scanners by the end of the year. It has eliminated price-stickering in most of its scanning stores, saving boodles of labor time and money, as well as checkout errors. It has also developed a new, computerized scanning system for photofinishing orders which will greatly speed up that process.

Also emerging is the Strategic Inventory Management System (SIMS), a vast automation project which will eventually tie all aspects of buying, merchandising and inventory control into a "smart," closed-loop system. SIMS will give buyers, store managers and advertising/merchandising directors unprecedented information to cater to the specific needs of its customers in every market, with just the right level of merchandise on the shelves.

Walgreens courts shopping families with well-assorted core departments, convenient locations and state-of-the-art technology.

"Our first SIMS marketing system gives buyers much tighter control and better on-line, real-time knowledge of merchandise movement," said Walgreen president Dan Jorndt. "They'll be able to electronically track orders from vendor to distribution center to store."

SIMS has eaten up tens of millions of dollars in investment costs and the full-time efforts of scores of programmers and support staffers for the past three years. The first aspects of the huge system are now in place in some warehouse systems, and tests at store level are going on in a Milwaukee pilot project.

Sales, earnings up

Automation projects aside, the past year has been a banner one for Walgreen in other ways, as well. In fiscal 1990, the chain passed the $6 billion sales mark and earned a record $174.6 million. Prescription sales, in particular, boomed ahead another 21.3 percent to $2 billion—a full third of the company's total revenues.

Meanwhile, the chain opened another 104 new drug stores and two RxPress units during fiscal 1990, and will add roughly 110 more units this year. The chain acquired Lee Drug's nine stores in New England last year, building its rapidly growing presence in the Northeast. A total of 42 sites are approved in that part of the country through 1993, according to Jorndt, as well as 39 more sites in California. Major store renovations are also continuing at an aggressive pace, with 165 stores overhauled last year.

Walgreen sees growth opportunities in expanded suburbia, regentrification of city neighborhoods, the demand for conveniently located smaller stores, and consolidation within the chain drug industry, Jorndt said. "We're prepared to handle a major acquisition, with the experience of Medi Mart behind us," he added.

Walgreens at a glance

Name: Walgreen Co.
Headquarters: Deerfield, Ill.
Officers: Charles R. Walgreen III, chairman and ceo; L. Daniel Jorndt, president and chief operating officer.
Sales: $6.05 billion
Store count: 1,588 currently. 1,564 at FY-end 8/31/90.
Average store size: (9,700 square feet selling)
Market reach: coast to coast
1990 Highlights: 16th straight year of record sales and earnings; acquisition/consolidation of Medicare-Glaser in St. Louis and Lee Drug in New England; progress in scanning and Strategic Inventory Management System programs; Dan Jorndt's first year as president; opening of Mount Vernon, Ill. distribution center.

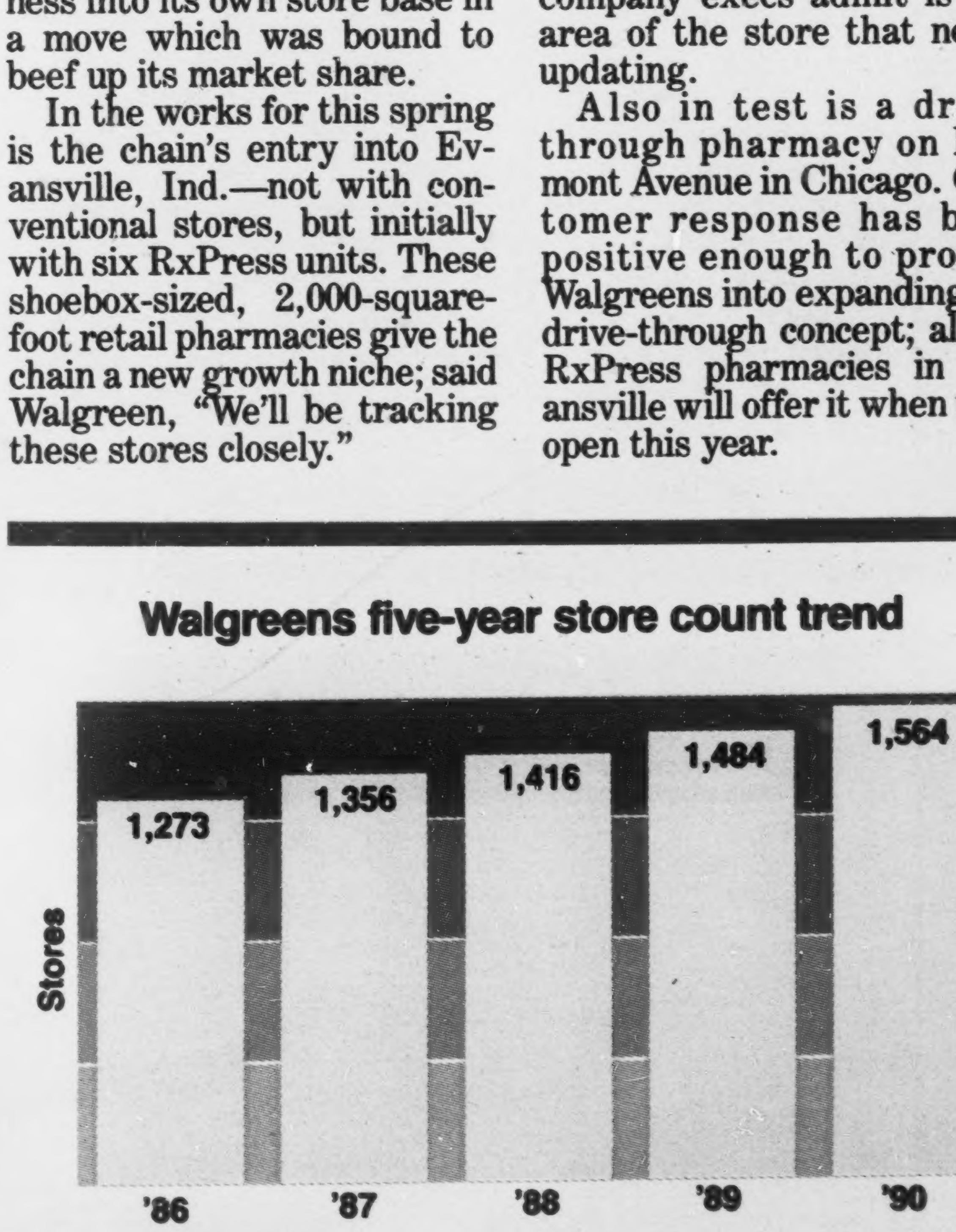
Along those lines, the chain acquired the assets of 73 Medicare-Glaser stores in St. Louis late last year for $12.2 million in a bankruptcy auction. The deal is a coup for the chain, which closed most of the stores and folded their business into its own store base in a move which was bound to beef up its market share.

In the works for this spring is the chain's entry into Evansville, Ind.—not with conventional stores, but initially with six RxPress units. These shoebox-sized, 2,000-square-foot retail pharmacies give the chain a new growth niche; said Walgreen, "We'll be tracking these stores closely."

Walgreen is also redesigning its pharmacy work stations and is testing new, storewide designs aimed at bringing the stores into the 21st century. One aspect under development: a wholly redesigned cosmetics/fragrance department, which company execs admit is one area of the store that needs updating.

Also in test is a drive-through pharmacy on Belmont Avenue in Chicago. Customer response has been positive enough to prompt Walgreens into expanding the drive-through concept; all six RxPress pharmacies in Evansville will offer it when they open this year.

Walgreens five-year store count trend



FY ended Aug. 31, 1990
Source: Company reports.

American Drug consolidating following management overhaul

OAK BROOK, Ill. — For American Drug Stores and its corporate parent, American Stores, the past year has brought some big changes. The chain drug giant pushed through major shifts in management, made plans to exit two of its top western markets and effectively entered another with its takeover of Texas-based Skaggs, another division of its parent company.

> One move gave American Drug control over three chain drug banners nationwide: Osco, Sav-on and Skaggs.

That move gives American Drug control over three chain drug banners nationwide: Osco, Sav-on and Skaggs. It also clears the decks at Salt Lake City-based American Stores by putting all drug store operations—with the exception of the combo store operations of Lucky Stores and other supermarket divisions—under one corporate roof in Illinois.

As the drug store side of the Skaggs Alpha Beta stores in Texas, Oklahoma, New Mexico and Arkansas, Skaggs' operations and merchandising were folded under the Osco corporate wing as of early this year. Osco created a new southern region, based in Skaggs' Richardson, Texas, headquarters, and named Bill Bates its regional vp in charge of the 76-store Skaggs stores. Bates had last served as a central-region district manager for Osco.

Also included in the in-house corporate merger was the drug store side of the new, five-store Jewel Osco division in Florida. Both Skaggs and Osco will retain their former logos.

American regional counsel Ben Mazow called the blending of Skaggs into Osco "a way to leverage up some greater drug retailing expertise from Osco, and. . .a way to tie into their MIS systems, warehousing, pharmacy operation and other systems."

Combo store experience

Moreover, Osco's managers also have plenty of experience in combo store partnerships with Jewel Food Stores.

The past year has also brought continued downsizing of the Osco division, however. American Drug agreed last month to sell all 51 Osco stores in three western states—Colorado, Utah and Wyoming—to Pay Less Drug Stores for roughly $60 million. If finalized, the deal will mark Osco's departure from big markets like Denver and Salt Lake City. Osco is also known to have explored the sale of stores in other major western markets like Phoenix, and Osco units in other scattered markets have also been sold in the past two years. Osco also sold 24 stores to Pay Less in the Northwest four years ago.

The latest deal with Pay Less will cut American Drug Stores to 631 Osco and Sav-on stores in 24 states, in addition to 76 Skaggs units and five Jewel Osco stores in western Florida. Prompting the deal is American Stores' ongoing effort to raise money for debt payments and cut operating costs in all its retail divisions. Thus, the company has taken a microscope to its regional store divisions and is applying tough productivity standards to all its 1,848 food, drug and combo stores nationwide.

"We will continue to build new stores and remodel and update existing ones. And we will continue to dispose of marginal and unproductive stores and assets," American Stores chairman and ceo Jonathan Scott promised last summer.

True to that prediction, the company last year also sold its Buttrey combo stores in the Northwest, and put its Acme Markets division in the Northeast on the block. Last month, American also struck a deal to sell the bulk of its Alpha Beta supermarkets in California to Food 4 Less.

For American Drug Stores, the past year also saw the culmination of a sweeping and prolonged series of changes in the executive ranks. Early last year, a hemmorhage of upper- and middle-management helped lead to the resignation of former American Drug ceo Dick Scott.

Under his replacement, Dave Maher, the company instituted a new series of management shifts. Maher created new top management posts for both Osco and Sav-on, naming Chicagoland Osco regional vp Steve Mannschreck to head all Osco operations as executive vp; and Richard Davis, former eastern region vp, as executive vp in charge of Sav-on on the West Coast.

Meanwhile, a number of key executives continued to leave American Drug last year, including former senior vp-marketing Ron Grove and vp-marketing Dale Bystrom. Following their departures, the company combined the posts and named former vp-distribution Arlyn White executive vp-marketing.

American Drug's efforts to retool its management, cut operating costs and boost productivity bore fruit in fiscal 1990. Pre-LIFO operating profits for the drug store division were up 11.3 percent last year, to $177 million, and sales grew 4.8 percent, to $3.7 billion.

> American Stores has taken a microscope to its regional store divisions and is applying tough productivity standards.

American Drug at a glance

Name: American Drug Stores, Inc.

Headquarters: Oak Brook, Ill.

Officers: Dave Maher, chairman, president and ceo; Richard Davis, executive vp/chief operating officer, Sav-on; Stephen Mannschreck, executive vp/chief operating officer, Osco.

Sales: $3.69 billion

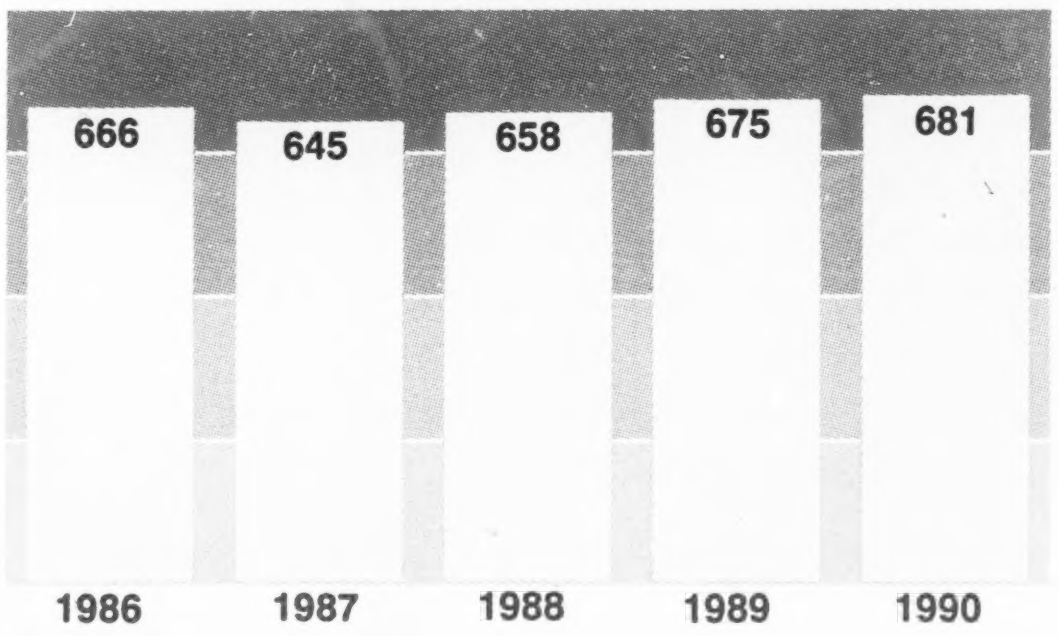
Store count: 681 Osco and Sav-on units; 76 Skaggs; five Jewel Oscos of Florida, at FY-end 2/2/91.

Store size: 21,376 square feet (16,684 selling)

Markets: Coast-to-coast

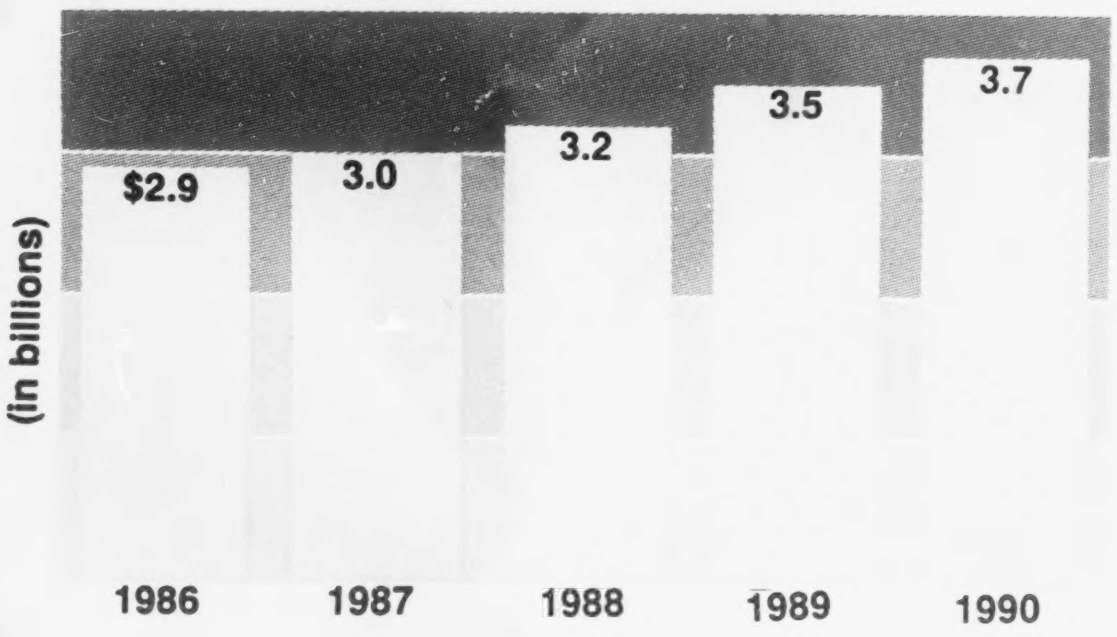
Highlights: Incorporation of Skaggs division; major management overhauls continued; resurgence of Sav-on and Osco presence in many markets; deal to sell 51 western Osco units to Pay Less.

American Drug store count



FY ended 2/2/91.
Includes 142 Jewel Osco combination stores.
Source: Company reports.

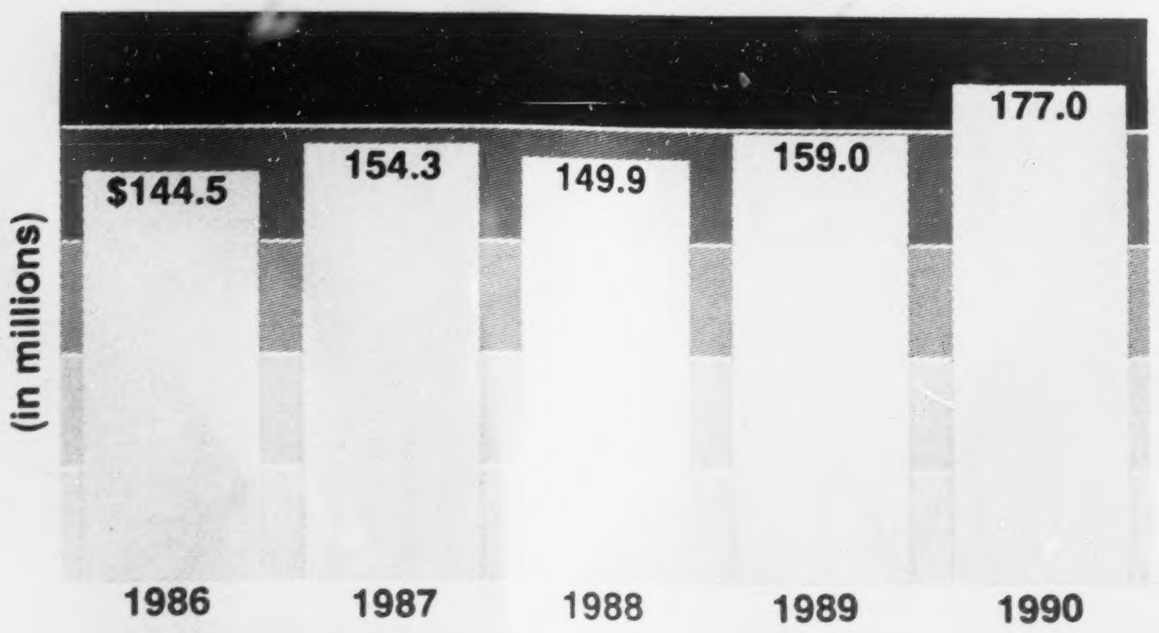
American Drug sales



FY ended 2/2/91.

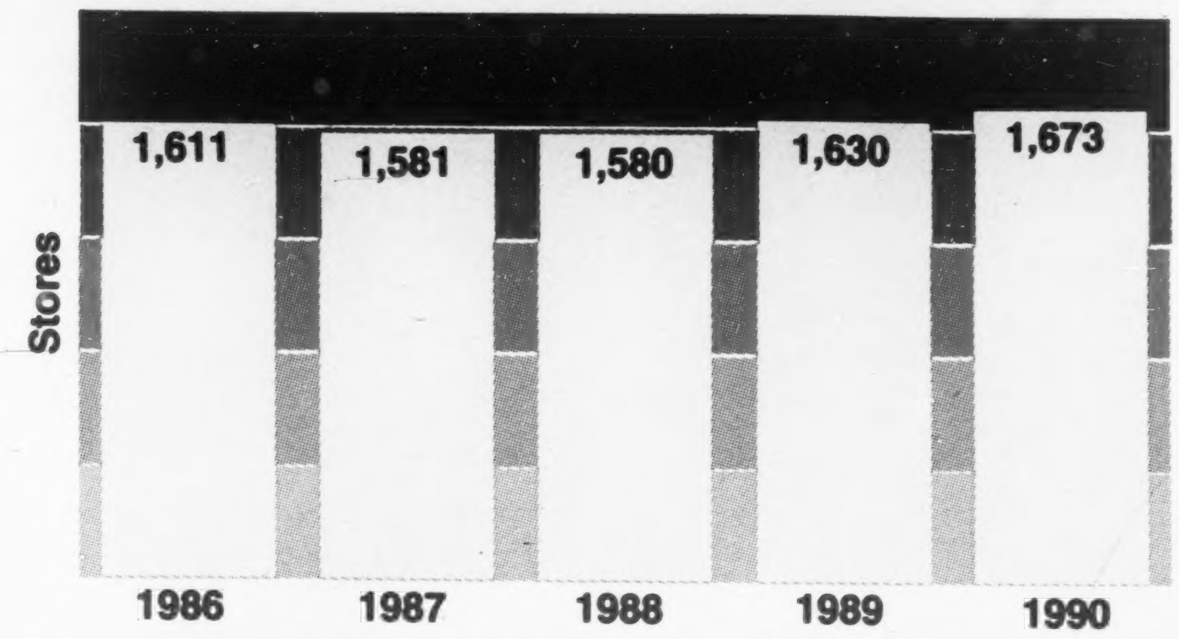
Source: Company reports.

American Drug earnings*



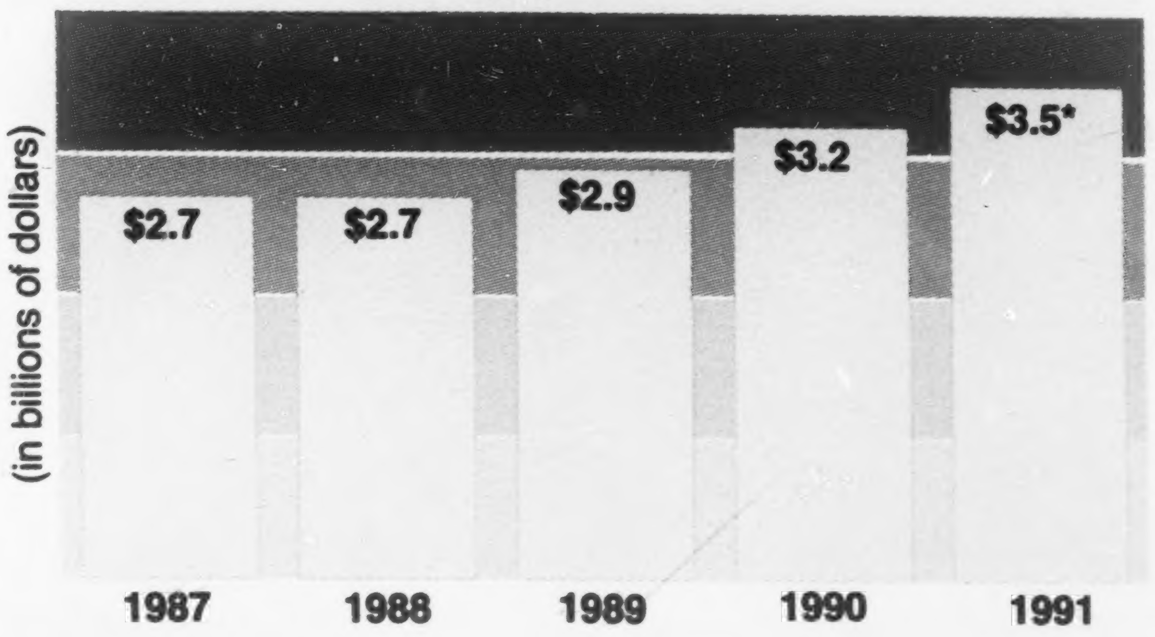
*Figures are pre-tax, pre-LIFO operating earnings.
FY ended 2/2/91.
Source: Company reports.

Eckerd store count



Source: Company reports.

Eckerd sales climb



*Estimated
Source: Company reports.

Eckerd gets No. 2 store-count spot, sees big net growth

Eckerd spent this past year vigorously buying, combining and selling stores to consolidate and fortify its markets. By the end of the 12 months, its roster had grown by 43, including the top-performing Revcos among the 223 it bought last summer.

The fiscal year ended Feb. 2, 1991 was the second consecutive period of significant net growth in stores, having added 50 stores in 1989. Eckerd ended the year as No. 2 in industry store count rankings, at 1,673.

Behind this growth: the goal to stress markets where share is already at or near the top, and exit those with less promise.

At the start of the year, Eckerd sold 37 stores in eastern Tennessee and Virginia to Bob Begley, and 27 stores in southern Alabama to Harco.

Then, having bought the seven-store Hilley chain of Dallas-Fort Worth, and 16-store Dunaway Drugs in Georgia, Eckerd acquired six stores in Tulsa. After that came the big bang: 223 Revcos in Florida, Louisiana, Mississippi, Oklahoma and Texas—for an estimated $80 million last summer. (The purchase was made jointly with Eckerd's LBO partner, Merrill Lynch Capital Partners).

Many stores were in solid Eckerd markets: Dallas-Fort Worth (82), Austin (18), San Antonio (14), Oklahoma City (14), Jacksonville (13) and Pensacola (10).

By this January, the chain had remodeled and was operating 98 of the Revcos. The rest had been closed with the script files and business transferred to other stores.

Eckerd plans to maintain its pace of adding 25 to 50 stores a year, though that is partly contingent upon levels of shopping center construction, which is slumping. The chain will concentrate growth within its 13 states of drug store operation—one less than last year after all its drug stores in Virginia were sold.

Spartan remodeling

As for formats, the Spartan remodeling program is ongoing, as stores reach five years of age and qualify for a remodel. Eckerd ended the year with 1,200 Spartans after renovating about 200.

Other formats also expanded in presence. Eckerd added 16 new Visionworks Eye Care Centers, ending with 44. And the Express Photo program providing one-hour photo processing gained 69 new drug store installations, for a 258-store total.

In a difficult financial market, the company was able to refinance some of its debt. It placed $123 million senior secured notes with Merrill Lynch Capital Markets to refinance senior bank debt, and provide working capital.

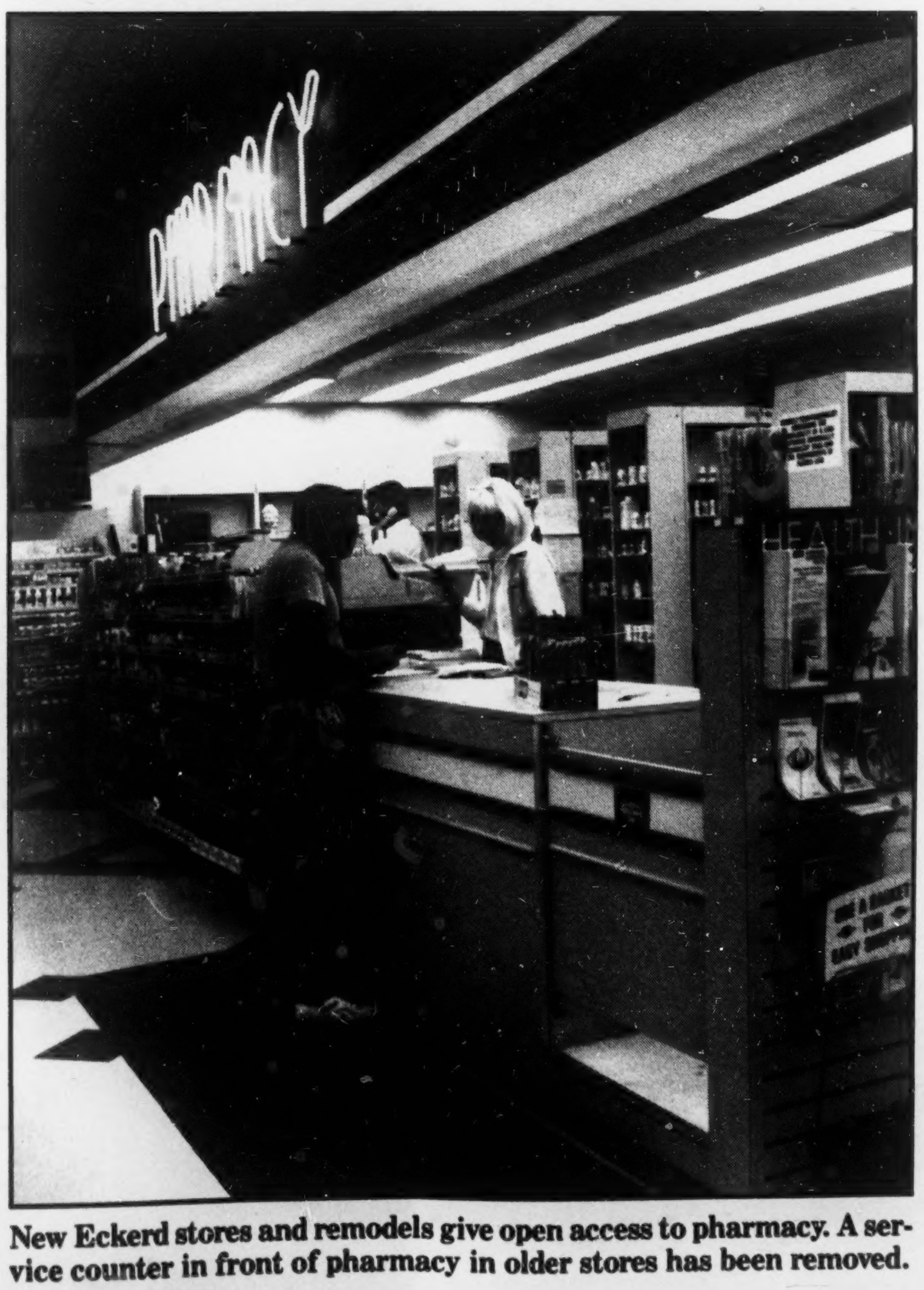
In the fifth year of its leveraged buyout, Eckerd posted record sales of $3.5 billion, about 9.4 better than the previous year. Its cash position was also strong, at $162 million, which was 59 percent above last year and left the company able to meet expenses and make investments.

As Eckerd has driven sales growth, it has held down expenses. The company focused on shrink, hiring Lewis Shealy, former loss prevention head at Marshall Field's department stores, as chief of a reorganized security department. Shealy was expected to continue a strong civil recovery program at Eckerd, while tightening the lines of command with regional loss control directors.

Also, James Ray was hired as vp-systems development.

On the technology front, the chain reported that 297 stores were capturing item movement at the checkout, up from 275 a year ago. And scanning is in 29 stores, up from six a year earlier.

Eckerd's advertising efforts got recognition this past year as well, when Ken Banks, the chain's vp-marketing communications, was named to the Retail Advertising Hall of Fame. One project Banks has sponsored is a high-impact TV campaign for the Express Photo minilab service.



New Eckerd stores and remodels give open access to pharmacy. A service counter in front of pharmacy in older stores has been removed.

Eckerd at a glance

Name: Jack Eckerd Corp.
Headquarters: Largo, Fla.
Officers: Stewart Turley, chairman and president; Harry Lambert, president, Eckerd Drug.
Sales: $3.5 billion
Store count: 1,673
Store size: 8,640-10,000 square feet (7,800-9,100 selling)
Markets: 13 Southeast, Mid-Atlantic and South Central states.
Highlights: Eckerd bought 223 Revco stores as part of a vigorous schedule to consolidate markets and build share.

Goal: stress markets where share is at or near top.

Eckerd's cash position
(net cash from operations after interest)

Fiscal period	Cash from operations
38 weeks ended Jan. 31, 1987	$18.5 million
Year ended Jan. 30, 1988	$127.3 million
Year ended Jan. 28, 1989	$132.6 million
Year ended Feb. 2, 1990	$102.3 million
Year ended Feb. 2, 1991	$162.0 million*

*Estimate. FY ended Feb. 2, 1991
Source: Company reports.

Streamlined Revco struggles to emerge from bankruptcy

TWINSBURG, Ohio — Revco in the mid-1980s was an oversized, inefficient gas-guzzler of a retail machine, swerving out of control, its systems breaking down.

Its retail focus was hazy and distorted by ill-fated forays into schlock promotional merchandise and poorly conceived buying strategies. Its operations and support teams were overstretched by the chain's rapid expansion, vast geography and shifting market conditions. Its top management was distracted by a bruising proxy fight and by a slew of ancillary businesses brought on by diversification. Needless to say, Revco hit a brick wall at high speed following its debt-heavy leveraged buyout in late 1986.

In 1991, Revco is a different company. Nearly three years after its bankruptcy filing, Revco as a retail operation is far smaller, better-run, far more cost-efficient and in clear touch with its basic retail mission. Its geographic reach has been cut to 10 contiguous states. Its top managers and support staff are among the best in chain drug retailing. The stores are clean, many are remodeled, and their sales are steadily improving.

Putting aside lawyers' fees, accounting changes, write-offs and other factors, the stores are also profitable. Although hit hard by last year's economic downturn and intense competition for customers, they are showing steady gains in customer traffic and productivity.

Nevertheless, Revco remains locked in a costly bankruptcy, its every move subject to court approval. The company's beleaguered board of directors is still struggling to come to terms with its creditors, and is even at odds with itself. Until the board members who hold an equity stake in Revco can agree on a financial plan with the suppliers, bondholders and banks to whom the company owes $1.4 billion, its efforts to improve operations will be hampered by financial pressures and bankruptcy distractions. By some published estimates, legal fees have already cost the company $50 million, and interest costs on the unpaid debt are piling up.

Recently, those pressures increased. In early April, the holders of some of Revco's junk bonds threatened to seek a Chapter 7 liquidation of the company if Revco and its creditors failed to negotiate a workable plan of financial reorganization within 120 days. Revco's board says it will file its own plan of reorganization with the court and creditors very soon.

"Everyone involved with our case is frustrated," said chairman and ceo Boake Sells last month. "It's time for all parties to cooperate and get Revco out of Chapter 11."

Revco's three committees of creditors filed their own plan last fall, but the current stockholders on Revco's board rejected the plan because it left them with nothing. If and when all parties in the negotiations can agree on a payment plan, it is almost certain to be quickly approved by U.S. Bankruptcy Court in Akron, Ohio. At that point, Revco can at last emerge as an ongoing concern.

Freed from the costs and distractions of bankrupcty, the chain will likely be fairly well-poised to compete in its core markets. Revco shed 712 far-flung drug stores last year, ahead of schedule, and exited 17 states in the Midwest, West and Southwest in the process. It continued to build for a healthier future, maintaining an aggressive store renovation program based on its new prototype. Indeed, by the end of this month the chain will have remodeled 43 percent of its 1,126-unit store base.

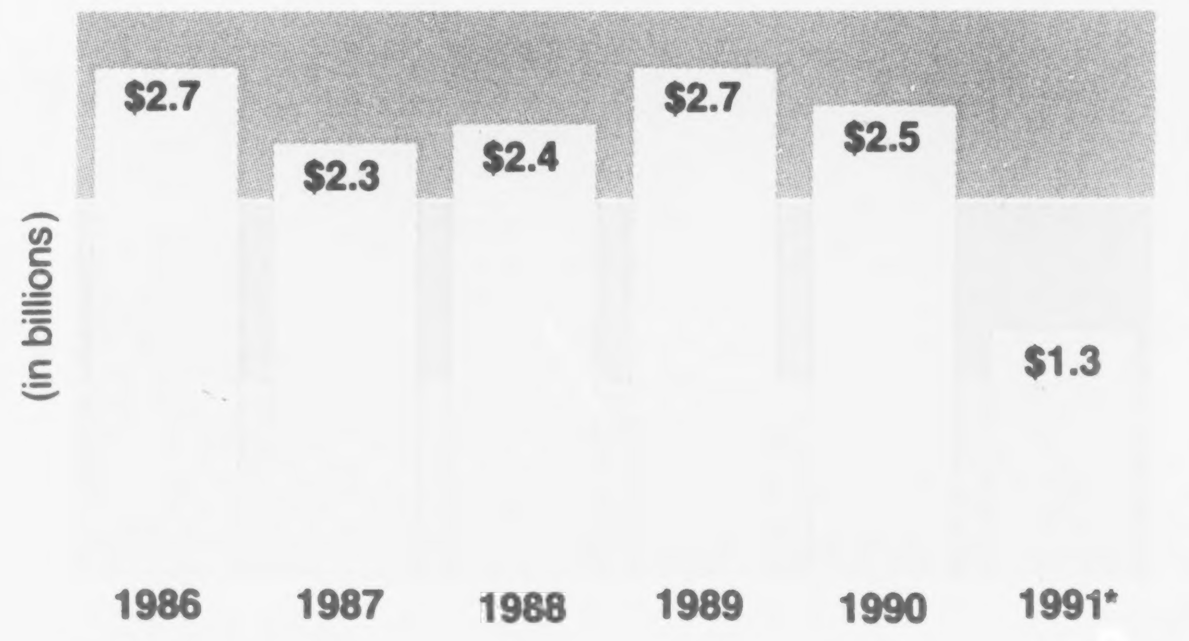
Last year, Revco also completed the chainwide rollout of both POS scanning registers and Prescription Access Link (PAL), its new, on-line pharmacy computer system for Rx automation and on-line third-party claims adjudication.

Moreover, Revco has developed new marketing and image ad campaigns along the lines of its "A Friend For Life" theme, and has stepped up circular advertising to once a week. Its selection of products for ads has been adjusted to boost margins. The chain has also "taken a hard look at our product mix by size of stores, and there will be some adjustments made," Sells noted recently.

In short, Revco's headquarters and store people have made enormous efforts--and spent many millions in court-approved capital funding programs--to upgrade and position the stores to compete in the '90s. More than anything, what the company needs most now is to successfully wrap up its negotiations with its lenders, bondholders and suppliers, agree on a debt payment plan it can live with, and move out from under the cloud of bankruptcy.

"We believe our drug store strategy and aggressive marketing will position Revco to take advantage of better business conditions," Sells noted in a letter to employees last month. "As you all know, leaving Chapter 11 must be the next important step in Revco's future."

Revco's sales trend

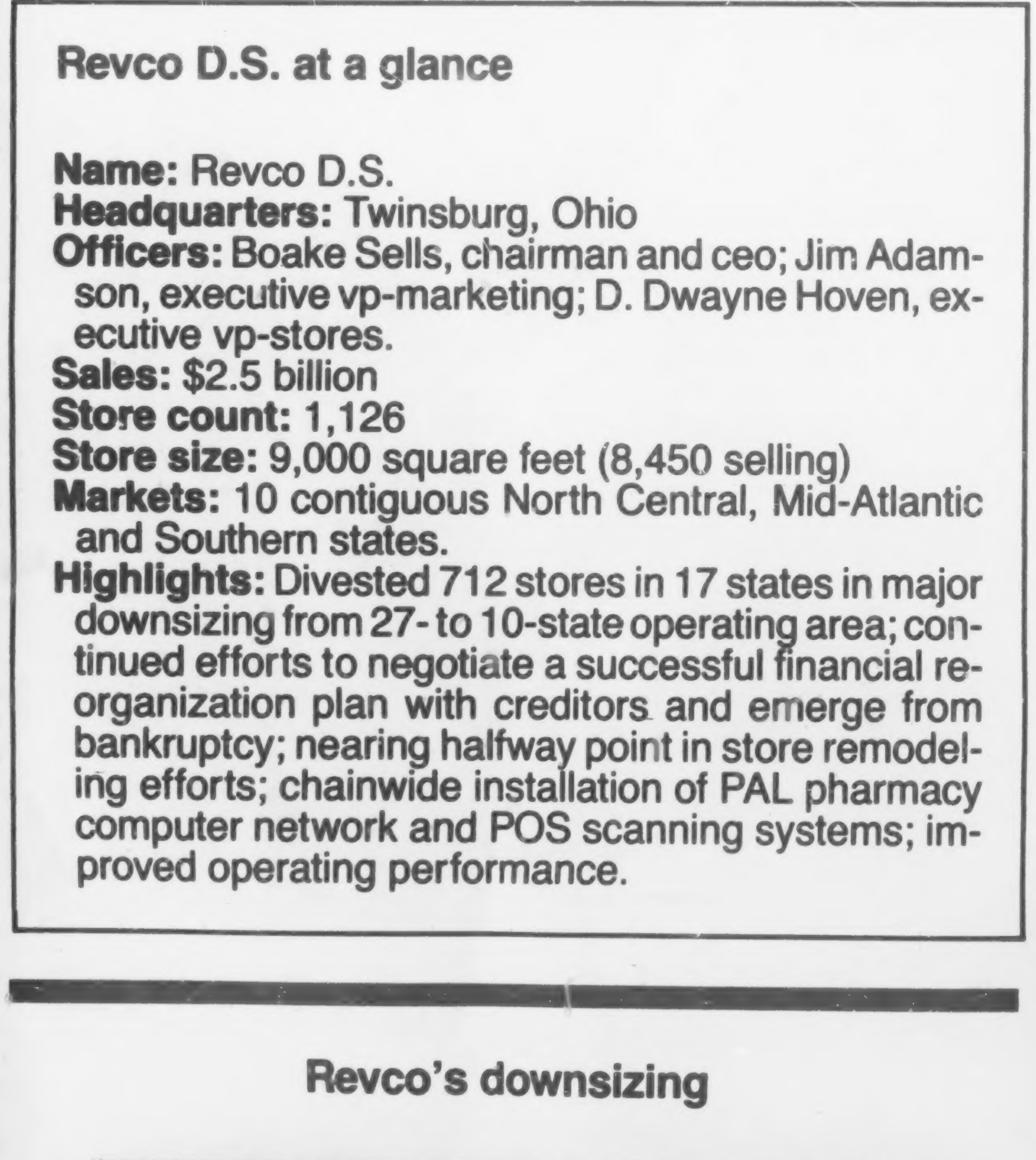


*First three quarters of fiscal 1991, following store divestitures.

Revco D.S. at a glance

Name: Revco D.S.
Headquarters: Twinsburg, Ohio
Officers: Boake Sells, chairman and ceo; Jim Adamson, executive vp-marketing; D. Dwayne Hoven, executive vp-stores.
Sales: $2.5 billion
Store count: 1,126
Store size: 9,000 square feet (8,450 selling)
Markets: 10 contiguous North Central, Mid-Atlantic and Southern states.
Highlights: Divested 712 stores in 17 states in major downsizing from 27- to 10-state operating area; continued efforts to negotiate a successful financial reorganization plan with creditors and emerge from bankruptcy; nearing halfway point in store remodeling efforts; chainwide installation of PAL pharmacy computer network and POS scanning systems; improved operating performance.

Revco's downsizing



*As of end of third quarter Feb. 9, 1991, following store divestitures.

> *Revco remains locked in a costly bankruptcy, its every move subject to court approval.*

REVCO START
cleveland marathon & 10k

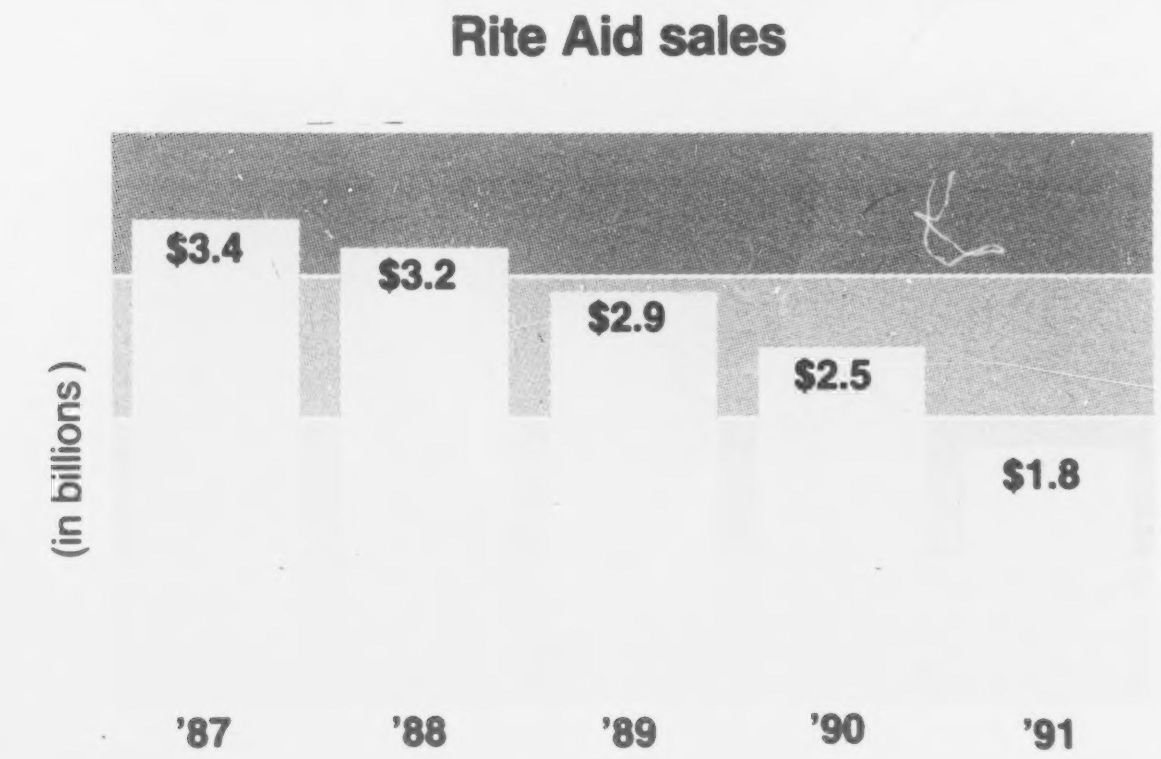
Despite the chain's problems, Revco marathons continue to grow in popularity and are now the focal points of health and fitness weekends.

Rite Aid says FY '91 a 'good year'; sees bright future

At a recent meeting with analysts, Rite Aid chairman and ceo Alex Grass called fiscal 1991 a good year for Rite Aid. It was, in fact, an exceptional year for the chain, from a human as well as business standpoint.

During FY '91, Rite Aid and its president, Martin Grass, fought and won a bribery case against them, after a trial that lasted less than two weeks in July. In January, the defamation suit Rite Aid had brought against Melvin T. Wilczynski, the man whose accusations led to the trial, ended with Wilczynski writing a letter of apology for his actions and forfeiting the $33,249.93 Rite Aid owed him under a severance contract. He was also ordered to pay court costs.

At the end of the 15-month ordeal, Alex Grass maintained, as he had throughout, that the case had "no effect on our business and won't affect it now." Rite Aid's year-end results bear him out, as do the programs and projects the chain developed during the year.


FY ended 3/2/91.
Source: Company reports.

Corporate revenues for FY 1991 reached $3.447 billion, up 8.7 percent from the previous year. Net income was $107.3 million, versus $102.1 million for 1990.

> Fiscal year 1991 was an exceptional [one], from a human as well as business standpoint.

Drug store division sales, which represented 94.6 percent of total revenues, increased 8.3 percent, to $3.259 billion for the year. Net income for the year was $100.129 million, up 10.8 percent from $90.336 million in FY 1990, excluding last year's provision for closing all video rental departments.

Same-store sales increased 7.3 percent for FY 1991, including acquisition stores open a year or more. This strong gain matches the increase Rite Aid achieved in fiscal 1987, before it embarked on a series of large acquisitions over a three-year period, including 533 Gray Drug and SupeRx stores, the 39-store Begley chain and about 99 Peoples' Lane division stores in the Midwest.

The gathering momentum during fiscal '91 was underlined in the fourth quarter, when same-store sales increased 7.8 percent. Rite Aid had come full circle, and the assimilation of more than 700 stores acquired since 1987 could be said to be complete.

Rite Aid operated 2,420 stores at year end March 2, a net gain of 68 units for the fiscal year. It remodeled 132 stores and reset 205 during fiscal '91. It operates about 12 percent of all drug stores in the 22 states it's in and holds a 25 percent or better market share in several metro areas, including Philadelphia, Baltimore and Charleston, W. Va.

Management sees its 6,700-square-foot prototype, with its offering of traditional drug store merchandise (no small appliances, electronics or sporting goods, for example), as resistant to the current recessionary economy.

Rite Aid sharpened its everyday low price position this past year by initiating one program and expanding another.

The Rite Buy program, introduced during the summer, offers temporary reductions on 300-400 regular inventory items at any given time, highlighted by in-store signage.

The program was first tested in the chain's Harrisburg and Florida markets, with ad support. The new front-end pricing promotion program passes along savings to customers from vendor allowances and manufacturer deals. The program is additional to Rite Aid's deep-discounted "Big Buy" program of on-deal merchandise displayed in its promotional aisles. To avoid customer confusion, both programs are now called "Rite Buy."

Also during the past 12 months, the chain more than doubled its food presentation and began offering 50-100 selected name-brand grocery products on promotion, highlighted by in-store signage.

Prescription drugs sales—$1.4 billion in FY 1991—represent 45 percent of Rite Aid's drug store sales, and third-party prescriptions accounted for 46.5 percent of prescription sales.

Rite Aid finished upgrading its pharmacy computers last year, and in July, it rolled out an advertising campaign chainwide to call attention to pharmacy's enhanced computer network, which it calls Compu*RITE*. The system enabled Rite Aid to adjudicate electronically more than 40 percent of third-party prescriptions this year, compared with 30 percent last fiscal year.

Toward its goal of achieving a paperless headquarters-store operation, it completed installation of data capture systems chainwide during FY '90. Six hundred stores have been on POS scanning (from Store Automated Systems Inc., or SASI) for five or six years, and Rite Aid recently decided to move forward in equipping the rest of its stores with the SASI system. It plans to install the second-generation system of vertically mounted scanners in 500-600 stores by February 1992.

Rite Aid at a glance

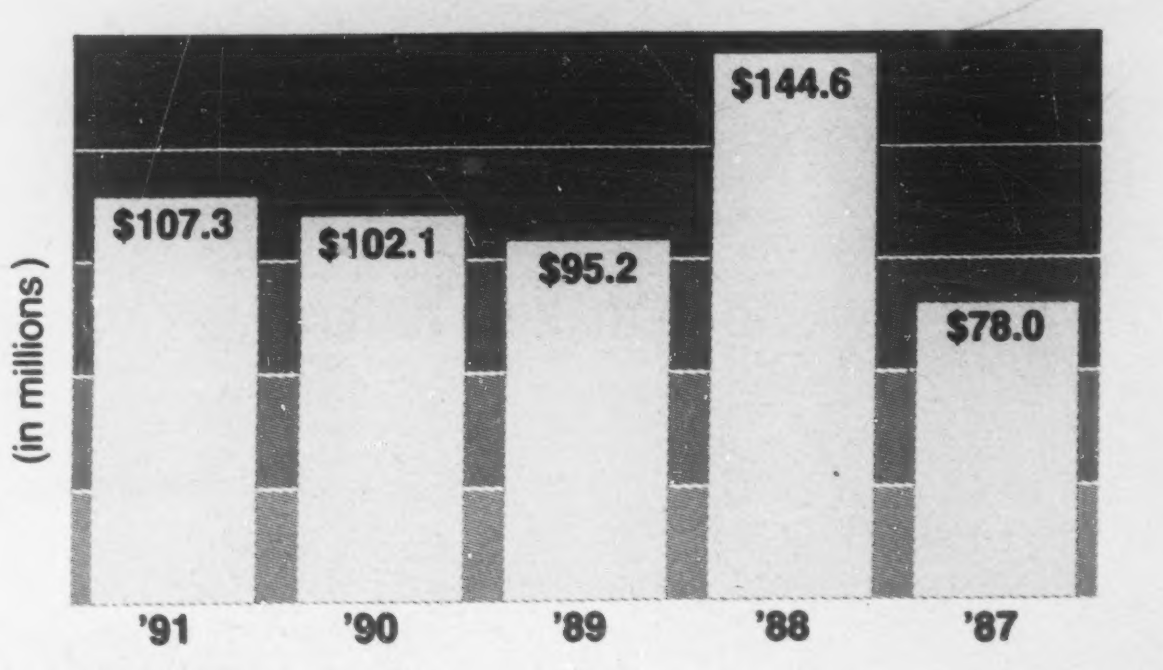
Name: Rite Aid Corp.
Headquarters: Shiremanstown, Pa.
Officers: Alex Grass, chairman and ceo; Martin Grass, president and chief operating officer
Sales: $3.4 billion (drug segment, $3.3 billion)
Store count: 2,420
Store size: 6,700 square feet (5,800 selling)
Markets: 22 states
Highlights: Dismissal of bribery charges and favorable settlement of civil defamation suit; continued integration of more than 700 acquisition stores in 14 states since 1987; same-store sales gains of 7.3 percent for 1991, 7.8 percent for 4th quarter '91; improved store efficiencies through uniform pharmacy computer system and chainwide data collection system.

The acquisitions it made during fiscal '91 were minor, compared with the Gray Drug and SupeRx, Begley and Peoples deals it carried out 1987-1989, but they were strategic. When Fantle's in Washington, D.C., filed for Chapter 11 last fall, Rite Aid bought the prescription files and drug inventories of all 65 stores, and a number of Fantle's pharmacists came aboard as well. Rite Aid subsequently acquired eight Fantle's store leases, strengthening its position in the D.C. market, where it already operated 75 stores. It also bought eight Taylor Drug stores in Kentucky last fall, bringing its store count there to 88.

> Management sees its 6,700-sq.-ft. prototype . . . as resistant to current recessionary economy.

On Jan. 31, Rite Aid bought Becker Discount Drug Co.'s 10 drug stores in the greater Cincinnati market, boosting its presence there to 27 units.

In FY 1992, Rite Aid plans to open 120 new stores, not including acquisitions, and to remodel 110 stores and reset 180. Its policy is to modernize all units on an eight-year cycle.


FY ended 3/2/91.
Source: Company reports.

Thrifty 'commits to the future': management, operations shift

LOS ANGELES — Thrifty Corporation, stung by a $64 million operating loss after taxes in fiscal '90, accelerated key management and operations shifts toward the end of the calendar year.

The new Thrifty Drug Store management team, headed by Eve Rich, former chairman and ceo of Contempo Casuals, is focused on improving the organization, merchandising systems and customer service.

The chainwide rollout of POS systems by the end of 1991 will enable Thrifty to aggressively attack inventory losses, which rose by 50 percent above the late-'80s level. Already, margins have increased about one percentage point in stores outfitted with the technology.

In addition, Thrifty Corp. has launched a wide-ranging consultant study on its business practices and goals to find a more successful marketing niche for its stores. Management Horizons will conduct the study and should release a report by mid-year, executive vp Chris Bement told *Drug Store News*.

Thrifty Drug Stores is also concentrating on other elements to make it more adaptable to market changes and responsive to customer demands. The company introduced a test concept, dubbed "Commitment to the Future" in 75 stores in 1990, and anticipates its expansion in 1991.

Parts of the concept: expanded and upgraded selections, and more personnel. Thrifty is also experimenting with "flex merchandising," which better enables to tailor mix to local market needs.

The Pacific Enterprises subsidiary ended fiscal '90 on Nov. 30 operating 1,058 drug, discount, convenience and sporting goods stores, after 41 store closures during the year. The 41 failed to meet profit goals, and up to 30 more unprofitable sites may be closed in 1991.

The core of its business: 554 Thrifty Drug, 124 Pay'n Save and 71 Thrifty Jr. stores, which generated $2.36 billion in sales, up from $2.28 billion the prior year. Other components: 43 Bi-Mart membership discount and 266 sporting goods stores.

Thrifty Corp.'s operating revenues rose slightly to $3.2 billion during the year from $3.1 billion in 1989. Same-store sales were up 1.5 percent, a lower rate of gain than the 5.2 percent in 1989.

Thrifty names management changes; 10 posted within corporation lately

Management changes headed the big news at Thrifty Corporation in 1990. Here's a summary:

- **Daniel Seigel** was named chief financial officer and assistant to the president in late summer. In December, he assumed the additional title of ceo of Thrifty Corporation.
- **Eve Rich** was named president of Thrifty Drug Stores in early December.
- **Philip Maslowe** was named executive vp and chief finacial officer.
- **Chris Bement** was promoted to executive vp-administration, human resources, governmental and public affairs.
- **Robert Glass** was named executive vp-operations and systems.
- **Richard Dortch** was promoted to president of Pay 'n Save Drug Stores.
- Other changes which include new or added responsibilities:

Robert LaFerriere, senior vp-buying, sales and merchandise display.

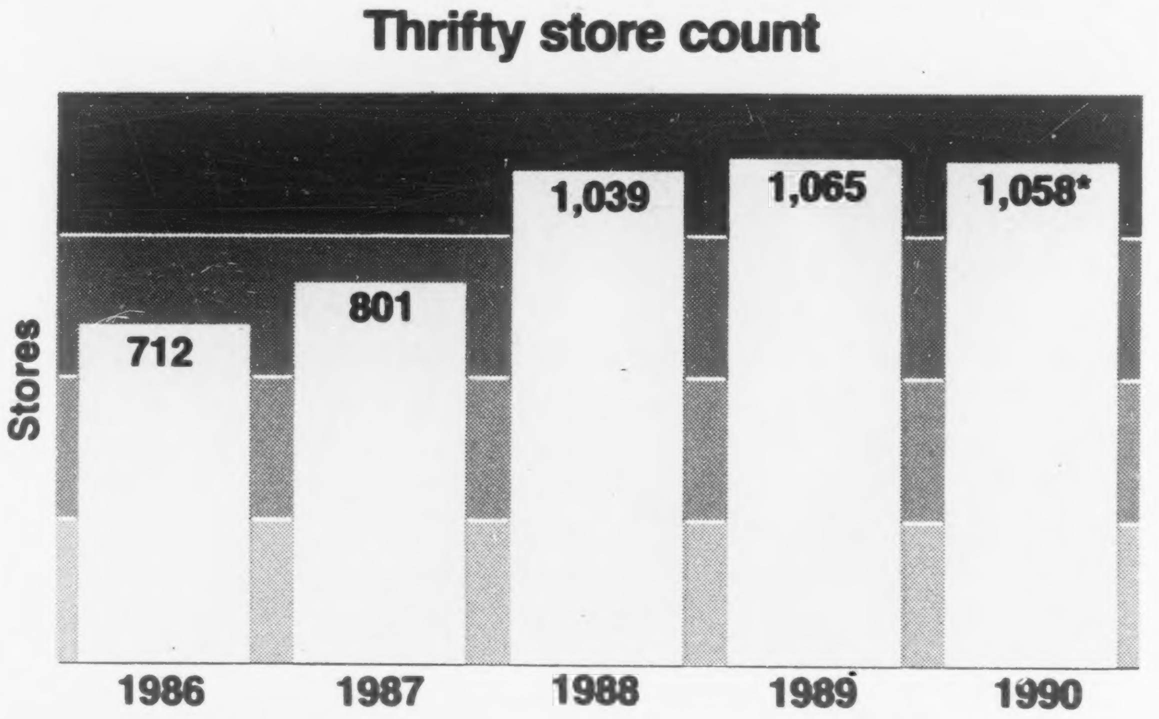
John Greer, senior vp-store operations.

Robert Kertin, vp-loss prevention.

Daniel Ramirez, vp-pharmacy operations.

Thrifty at a glance

Name: Thrifty Corporation
Headquarters: Los Angeles
Parent: Pacific Enterprises
Officers: Leonard H. Straus, chairman; Daniel A. Seigel; president and ceo; Eve Rich, president, Thrifty Drug Stores.
Sales: $3.2 billion
Store count: 554 Thrifty Drug, 124 Pay'n Save, 71 Thrifty Jr., 43 Bi-Mart, 266 sporting goods stores.
Store size: Thrifty, 18,900 square feet (14,700 selling)
Markets: Alaska, Calif., Ariz., Hawaii, Idaho, Nev., Wash., Ore.
Highlights: Set up new Thrifty Drug Stores management team; continued POS rollout; placed "Commitment to the Future" concept in 75 stores.



FY ended 11/30/90.
*Includes $2.36 billion drug store sales (Thrifty, Thrifty Jr. and Pay 'n Save), up from $2.28 billion the prior fiscal year.
Source: Pacific Enterprises.

In quest to rebuild profits, Longs tinkers with its methods

WALNUT CREEK, Calif. — Longs Drug Stores faced toughening competition in its market strongholds in 1990 and early '91, as Pay Less Drug Stores, Walgreens and Sav-on fought hard to boost market share in California. Longs fought back, but margins suffered as the chain dropped prices to retain customers.

Result: Longs' sales were up a healthy 11 percent, but net earnings slipped 3 percent to $59.6 million. Higher benefit and salary costs also took a bite out of income.

Longs responded by redoubling its store automation efforts, which should eventually yield tangible results in a more efficient, cost-effective buying and distribution. Implicit in the chain's automation strategy is a subtle shift in some of the ways this traditionally decentralized, locally autonomous retailer will do business in the future.

In partnership with IBM, Longs is making a heavy investment in technology and a POS-driven information system. The aim of the $50 million, multi-year program is to create a flexible retail information and purchasing system—one that will allow central-office buyers and merchandisers to better anticipate and coordinate the needs of the chain's 261 drug stores, without sacrificing the ability of Longs' highly autonomous store managers to make many of their own decisions. It marks a shift in thinking for Longs, and will require care in its eventual implementation.

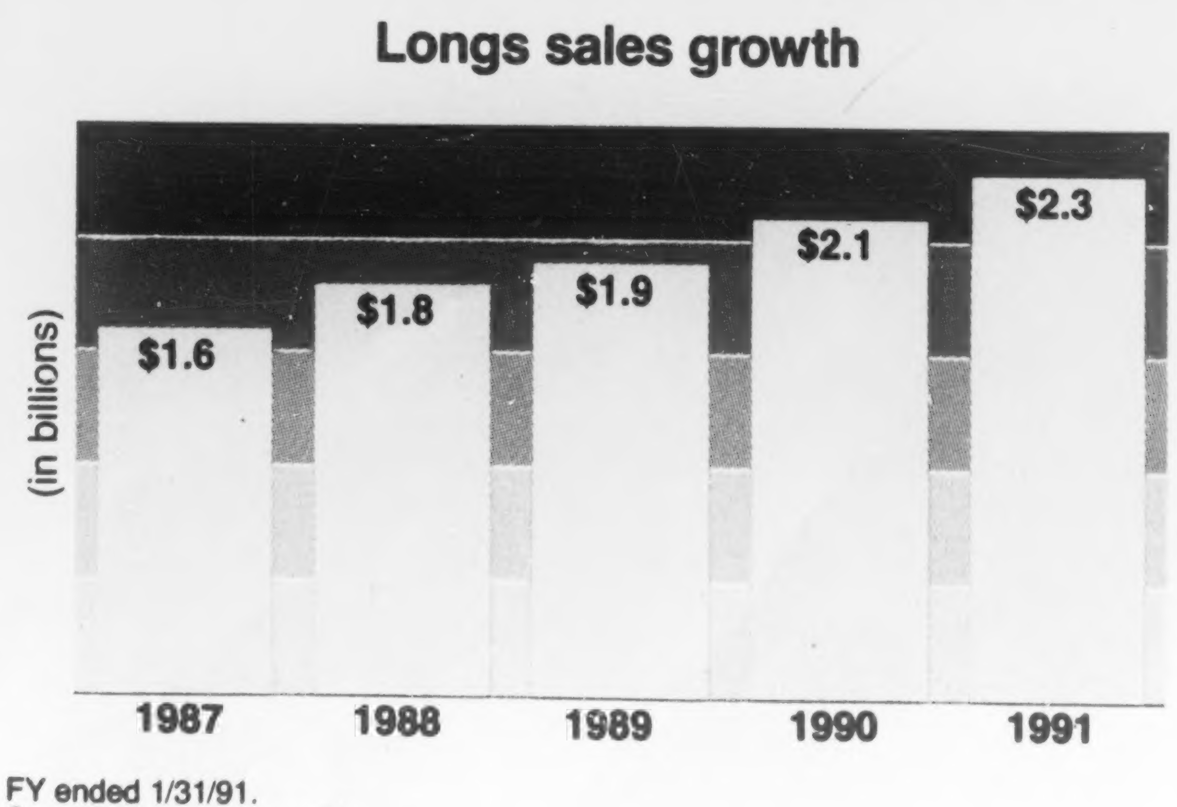
"This kind of change requires a little care, because if we were to diffuse or turn off the autonomy of our store people, the cost to us could be astounding," new president Steve Roath told *Drug Store News* recently.

Longs has already undergone one major transition in recent months, with the election earlier this year of Bob Long as chairman and ceo and Roath as president and chief operating officer. Sadly, those appointments followed the Dec. 28 passing of company cofounder and board chairman Joseph Long, who pioneered the chain's unique brand of locally managed, high-volume drug store retailing.

To get earnings growth back on track this year, Longs will focus hard on operating efficiencies, conservative "fill-in" store growth, and the productivity of its sales floor—already one of the top producers per square foot in the business. But the chain will refuse to concede market share to any competitor without a major fight, company brass indicated. Pricing will be sharp.

Longs at a glance

Name: Longs Drug Stores
Headquarters: Walnut Creek, Calif.
Officers: Bob Long, chairman/ceo; Steven Roath, president/chief operating officer
Sales: $2.33 billion
Store count: 261
Store size: 23,000 square feet (15,410 selling)
Markets: California, Hawaii, Colorado, Nevada, Alaska, Arizona
Highlights: Election of Long and Roath as top officers following death of co-founder Joe Long; initial development efforts toward POS and automated purchasing/distribution system; continued store expansion; turnaround efforts under way.



FY ended 1/31/91.
Source: Company reports.

CVS launches into top five with Peoples Drug aquisition

CVS bought a rejuvenated Peoples Drug, propelling the Rhode Island-headquartered chain into the industry's top five rankings.

The acquisition merged Peoples' $1 billion in sales with CVS's $2 billion volume, and gave the Melville division some powerful market shares in Mid-Atlantic states, Pennsylvania and New York. Peoples held its greatest presence around Washington, D.C., where it operated 196 stores.

To its 811 stores in 14 states, CVS added 490 Peoples sites, which had been spruced up by parent Imasco. Peoples was "lean and mean" after a three-year rejuvenation that included the divestiture of 325 Southwest and Midwest stores and extensive retrofitting and repositioning of stores. It achieved a dramatic sales and profits turnaround, and was said to be eyed by several companies.

Imasco execs praised Peoples' performance, while citing its lack of "scale" needed to produced Imasco's desired 20-percent return on investment for the long term.

Stanley Goldstein, Melville's chairman and ceo, called the Peoples acquisition for $325 million cash "an ideal geographic and strategic fit."

Said Harvey Rosenthal, CVS president and ceo: "Peoples has excellent locations, strong shares in key markets, and a similar demographic customer profile."

CVS turned Peoples' Alexandria, Va. headquarters into a regional office, and stated it would keep Peoples' distribution centers as well as the long-established chain name.

At press time, CVS had retained all of the Peoples stores, and indeed had begun renovating 17 of them with a format suitable for the larger Peoples stores. The plan: refurbish 100 Peoples stores this year, a CVS spokesman said.

Some elements of the typical CVS design being integrated: carpeting and replacement of 72-inch-high gondolas with 60-inch fixtures. Pharmacy access is underscored with an emphasis on low counters and consultation areas.

Peoples was CVS's first purchase in 1990. Later in the year, CVS also picked up 23 drug stores from Rix Dunnington in Auburndale, Mass. The purchase left Rix with just its Jake's deep discount store and a handful of HBA stores.

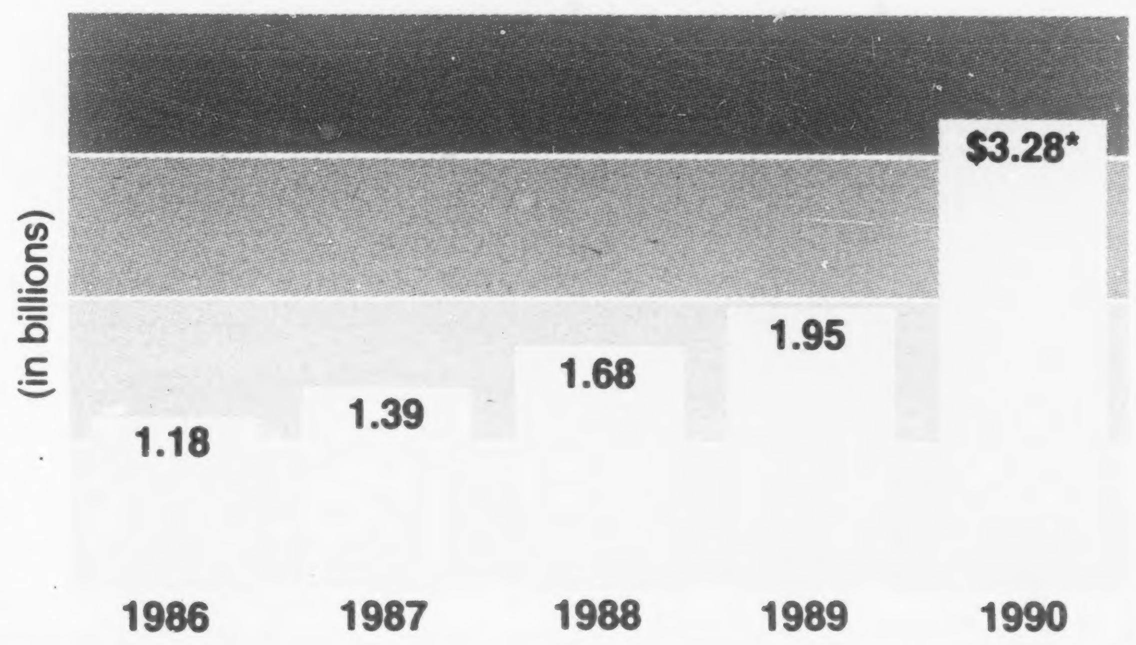
Rix planned to concentrate on its Brockton, Mass.-based nursing home prescription business. Chairman Rick Weinberg said that high rents in greater Boston and eastern Massachusetts, and competition for sites (especially from CVS) helped persuade him to redeploy energies.

By Dec. 31, 1990, the end of its fiscal year, CVS could claim total revenues, on a pro forma basis including Peoples and Rix, of $3.29 billion, compared with $1.9 billion in 1989. At that turning point, CVS had 1,351 drug and HBA stores (1,100 with pharmacies) compared with 789 stores (582 with pharmacies) the year before. The chain said it planned 35 store openings in 1991.

In 1990, it expanded what had been a small handful of stores capturing price/item movement with scanning to a group of 202 stores. It aimed to add 175 more in 1991.

CVS has its largest single-state concentration of stores in Massachusetts at 246, followed by Pennsylvania (233), New York (168), and Virginia (160).

CVS sales leap



*CVS acquired Peoples Drug 9/17/90 and Rix Dunnington 11/15/90. Pro forma results. Fiscal year ended Dec. 31.
Source: Company reports.

CVS at a glance

Name: Consumer Value Stores
Headquarters: Woonsocket, R.I.
Parent: Melville Corp.
Officers: Stanley Goldstein, chairman, ceo and president, Melville Corp.; Harvey Rosenthal, president and ceo, CVS.
Sales: $3.29 billion*
Store count: 1,351*
Store size: 8,800 square feet.
Markets: Northeast and Mid-Atlantic states; Ohio, Michigan and California.
Highlights: Acquired Peoples Drug from Imasco, picking up economic and geographic synergies and significant market shares in the Mid-Atlantic.

**CVS acquired Peoples Drug 9/17/90 and Rix Dunnington 11/15/90. Pro forma.*

Shoppers' 30% share of Canada market due to scripts, systemwide sales growth

Shoppers Drug Mart/Pharmaprix holds a 30 percent share of Canada's drug store market and operates stores in 10 provinces and two territories in Canada.

In 1990, the chain filled more than 26 million prescriptions and counted more than 250 million customer transactions—almost 10 purchases per Canadian. It opened a net of 12 stores during 1990, for a total of 645 stores, with about 75 open until midnight and six open 24 hours.

Systemwide sales for all associates were $2.8 billion (Canadian), up 9 percent over fiscal 1989, and revenues were $148.1 million. Operating earnings increased to $80.5 million for 1990, compared with $70.6 million in 1989. Comparable-store sales increased 7.5 percent, compared with 7.9 percent in 1989.

Prescription sales were up 13 percent and represented 25 percent of total sales in 1990.

Shoppers' extensive private label program, under the names Life Brand, Shoppers Drug Mart, Pharmaprix and Rialto, accounts for 6 percent of total sales.

Shoppers anticipates that the retail market, which started to soften in the fourth quarter of 1990, will continue to be soft "well into 1991." On that assumption, it plans to stimulate sales by way of innovative marketing and promotions and by managing gross margins and improving productivity.

In spite of steadily improving operating earnings, Peoples Drug was sold by Shoppers' parent company, Imasco, to Melville Corp. (CVS) last autumn. Imasco chairman and ceo Purdy Crawford wrote in Imasco's recently published annual report that "with time it became apparent that significant further investment would have been required to generate returns that meet Imasco's longer term objectives. With asset values restored, Peoples was sold at a very good price to a competitor."

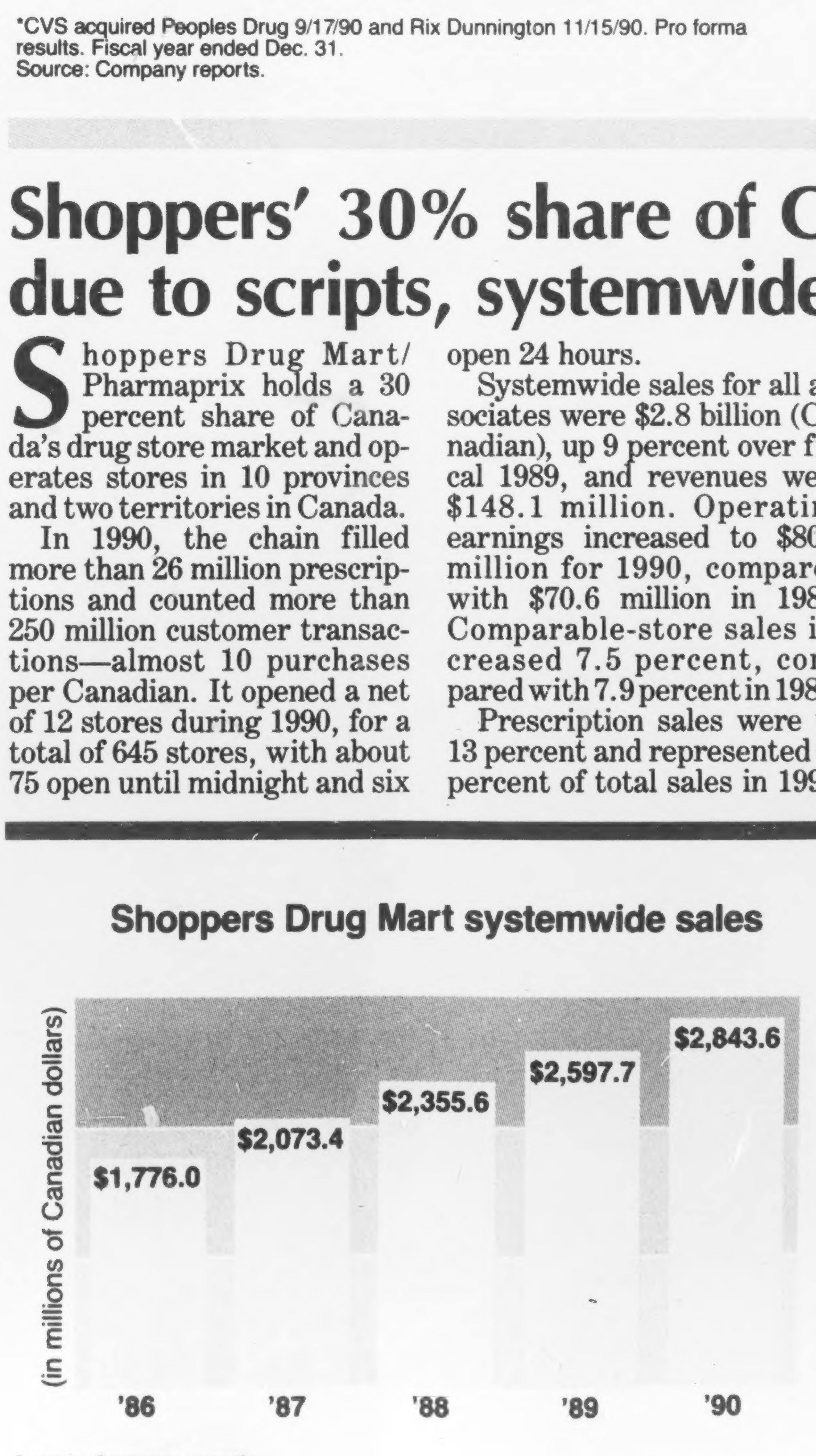
Shoppers is emphasizing technology: Most of its stores have computerized accounting systems, and all stores have pharmacy computers. In 1991, the chain plans to launch into a five-year program to install POS scanning chainwide.

At the beginning of 1991, Canada's new Goods and Services Tax went into effect. SDM expended much time and effort during 1990 training its 22,000 associates and setting up adequate accounting controls for the implementation of the GST.

A major debate has been going on in Canada over whether drug stores should be permitted to sell tobacco products. SDM's position is that "drug stores should not be required to act as a censor for any product which is legal and for which there is a continuing demand by customers."

David Bloom, Imasco Drug Retailing Group chairman, was the driving force behind the new Canadian Association of Chain Drug Stores (CACDS), modeled after NACDS, which formed early last year and held its first meeting in February 1990.

Shoppers Drug Mart systemwide sales



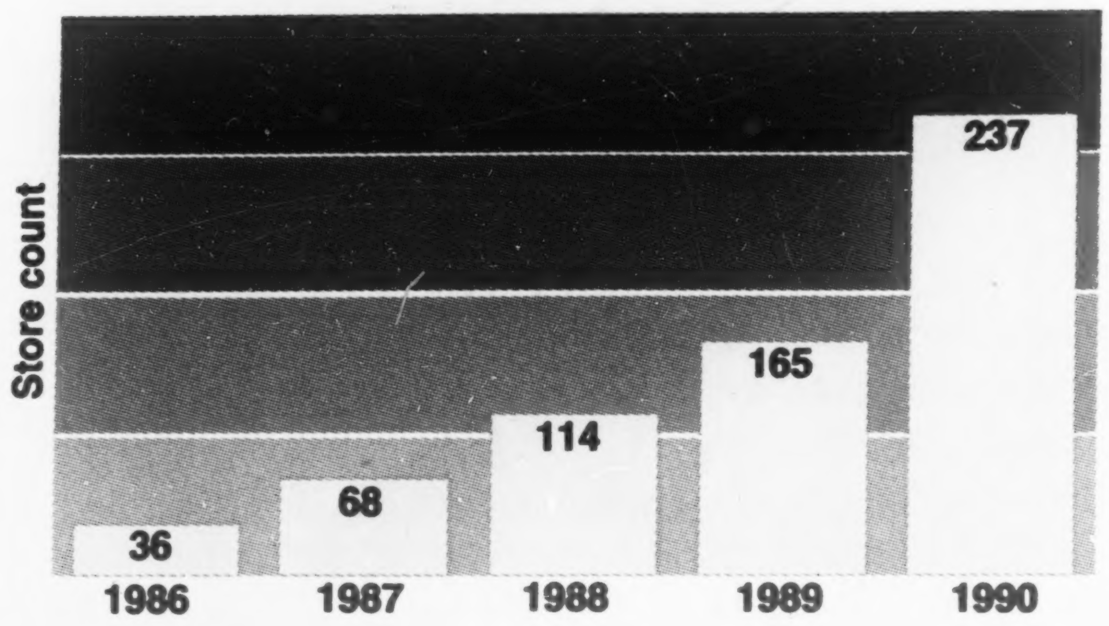
Source: Company reports.

Shoppers Drug Mart at a glance

Name: Shoppers Drug Mart/Pharmaprix
Headquarters: Toronto, Ontario
Officers: David Bloom, chairman and ceo, and Herb Binder, president and COO.
Sales (systemwide): $2.8 billion (Canadian dollars)
Store count: 645
Store size: 7,500 square feet (5,660 square feet selling).
Markets: 10 provinces, 2 territories in Canada
Highlights: Parent corporation Imasco Ltd. sold Peoples Drug Stores, its U.S. drug operation, to CVS; prepared its employees and set up accounting controls for implementation of Canada's Goods and Services Tax, which went into effect in January 1991; Bloom was the driving force behind formation of new Canadian Association of Chain Drug Stores.

Phar-Mor's ambitious strike force nears coast-to-coast penetration

Phar-Mor store counts soar



As of Dec. 31 each year.
Source: Company reports.

Some of Phar-Mor Inc.'s retail rivals may be scratching their heads and wondering if the laws of gravity no longer apply, but the chain is still rolling along at a blistering growth rate. The deep discounter is on the way to another 70 store openings this year, which should give it more than 300 stores in 32 states by year-end if its strategy holds.

The chain is on the verge of coast-to-coast market reach. Three more states were added to the list late last year, and this year Phar-Mor is stalking its first entry into five more states. Leases have been signed in all five of those states: California, New York, Delaware, Kansas and Arkansas—and the Empire State and Golden State will see their first grand openings this summer. Phar-Mor will also crack the Memphis market beginning this fall, and is adding units in Chicago, Florida and other markets.

This growth comes in the wake of Phar-Mor's entry into New Jersey, New Mexico and Oklahoma in late 1990.

Just weeks ago, the deep discounter also announced plans to lease a distribution facility in Aurora, Colo. to support its expanding Western store base.

New on Phar-Mor's hit list last year were key Sunbelt markets in the West including Phoenix, Albuquerque, San Antonio, Las Vegas and Oklahoma City.

All this growth propelled the company past the $2 billion sales mark in calendar 1990. Chain president Mickey Monus reported double-digit same-store sales growth last year, but Phar-Mor keeps its profitability a tightly held secret. Company sources say only that Phar-Mor's profitability and cash flow are enough to fuel much of the chain's expansion.

Revolving loans and outside investors, including the Giant Eagle supermarket chain in Pittsburgh, also provide capital for the dizzying growth pace.

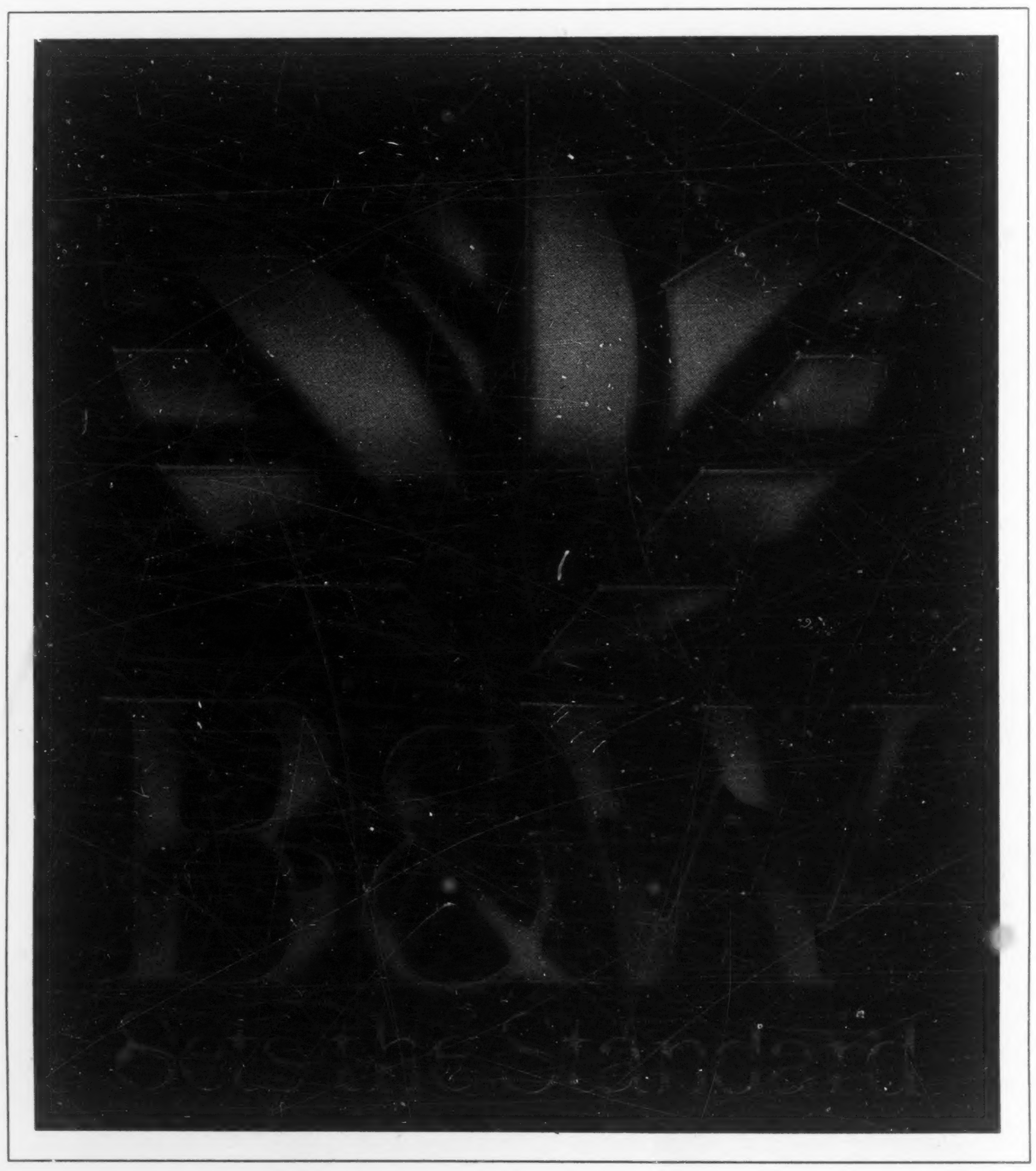
Meanwhile, Phar-Mor is exploiting other business opportunities in liquor sales and video/home entertainment. The chain has developed full-scale Phar-Mor Entertainment centers which provide video sales and rentals, music and audio electronics in three locations.

The centers are adjacent to Phar-Mor stores, but have separate entrances and checkouts.

Phar-Mor's effective store format, low-price strategy and ability to quickly capture market share earned it *Drug Store News's* 1990 REX Award as Large Drug Chain of the Year.

To help support its growth, the company continues to add management expertise. Among its hires last year was chain drug veteran Wilson Lester, who now holds the new post of senior vp-distribution.

Today and Tomorrow



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Pay Less gets on the fast track, heads toward major-power status

WILSONVILLE, Ore. — On the West Coast—the land of giant-sized drug stores, exploding population growth and astronomical real estate costs—momentum is shifting.

Although four major drug chains continue to dominate the region—Thrifty, Longs, Sav-on and Pay Less Drug Stores—it's Pay Less that has jumped to the top of the fray. Backed by the deep pockets of corporate parent Kmart and fueled by continuing gains in sales and profits the chain is gobbling up new store sites and bursting out of its old confines.

Pay Less added another 40 stores over the past year, many of them in Southern California and the San Francisco Bay area. What's more, the firm is pushing eastward with increasing velocity as it attains the status of a major regional retailer.

In its latest and most dramatic move, the firm agreed to buy 51 Osco drug stores in Denver, Salt Lake City and other markets last month. The deal will give the chain immediate strength in those two markets, boost its reach to 11 Western states, and provide a sound base for further expansion east of its West Coast roots. On top of that, Pay Less will open some 38 new stores and remodel 20 others this year, finishing this fiscal year with roughly 408 stores and roughly $2 billion in sales.

One reason for the chain's sunny outlook is its new "45" store prototype, now in place in roughly one of every four stores. The dramatic redesign—which greatly enhances the visibility and impact of core departments like cosmetics, photo, greeting cards and pharmacy—appears to be a smash. Sales growth in remodeled units is pronounced, store managers and headquarters executives report.

"Compared with public companies, we're doing better than the drug chains I've read about," said Tim McAlear, who succeeded Ron Schiff and president and ceo late last year.

Pay Less is also reaping rewards from other recent efforts to build a base for growth in the '90s. Among major programs which are coming to fruition is the installation of POS scanners, which should be chainwide by presstime. The chain has also upgraded its pharmacy systems, resulting in the near-total conversion of its third-party business to electronic billing. Significantly, pharmacy sales increased in fiscal 1990, to 16.7 percent of total sales, from 14.6 the previous year.

Pay Less at a glance

Name: Pay Less Drug Stores
Headquarters: Wilsonville, Ore.
Officers: Tim McAlear, president and ceo; Doug McKee, senior vp/cfo.
Sales: $1.64 billion
Store count: 321
Store size: 36,175 square feet (26,819 selling)
Markets: 11 Western states (with pending purchase of Osco stores)
Highlights: Planned purchase of 51 Osco units; promotion of Tim McAlear as top officer; rapid California expansion; new format rollout.

Pay Less is gobbling up new sites and bursting out of old confines.

Hook-SupeRx takes straight and 'measured' growth path

CINCINNATI — In its fifth year since a management leveraged buyout, Hook-SupeRx Inc. has steered a steady course of measured store growth while generating adequate cash to meet its obligations.

Hook Drug led the expansion with 30 new sites, as HSI overall opened 53 stores and 18 for a net gain of 35. A year earlier, HSI opened 29 stores and posted a net gain of 12.

By the end of its fiscal year last Aug. 31, HSI operated 1,118 drug stores in 22 states: 339 Brooks, 398 Hook and 338 SupeRx, 30 Hook convalescent aid centers and 13 Drug World deep discount stores, the company reported to the Securities and Exchange Commission.

The executive suite saw some changes during the year.

At Hook, for instance, Tom Cunningham died just one month after being named to replace retired president Newell Hall. Russell Mesalam, also a long-term Hook veteran, was then called on. A vp at HSI, Mesalam was employed at Hook since 1961 and had been vp-operations since 1988. William Byrum replaced Mesalam in his former post.

At SupeRx, Thomas Stilgenbauer was named to replace Gary Hendren, who resigned. An HSI vp, Stilgenbauer had most recently served as vp and cfo at Brooks since June, 1988. He had joined SupeRx in 1970.

In addition, George Dozier, who headed Drug World, was named vp-marketing at SupeRx. Gary Dowler took over as Drug World chief.

And Rick Powis was named vp-professional services for HSI, moving from vp- operations at Brooks. William Welsh replaced Powis in his former post.

The year's sales rose 7.8 percent to $1.87 billion; same-store sales grew 6.7 percent. In the first quarter of fiscal '91, ended Nov. 30, sales were up 5.4 percent over the comparable period a year ago to $466.6 million.

Prescription sales accounted for 43 percent of total company volume in fiscal '90; third party was 40 percent of total Rx sales. A year earlier, Rx accounted for 41 percent of total sales. The company pointed to inflation, new customers such as nursing homes, and increased third-party business, as reasons for the higher ratio.

In May 1990, HSI sold its photo processing equipment for $4.5 million cash and a $500,000 non-interest-bearing note to Colorcraft and hired Qualex to do its processing. The shift was based on concerns about required new investment in equipment to stay in the business, the company reported. HSI used $3.8 million of the proceeds to pay down a loan.

Brooks unveiled a new store design in a 7,400-square-foot Fair Haven, Mass. 'store. In this format, lighting adds drama and draws attention to key departments.

On the supplier front, Bindley-Western remained HSI's main prescription supplier to its distribution centers, and Alco Health Services won a position as the direct-to-store vendor, replacing a group of other wholesalers.

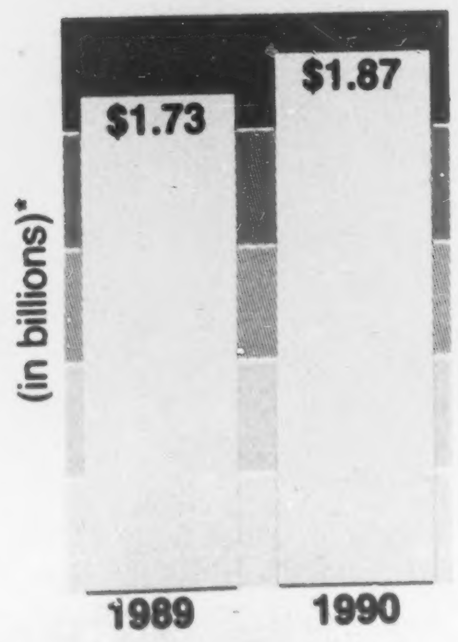
Overall, cash from operations more than amply covered capital expenditures of $19.5 million in fiscal 1990. The company's long-term debt stood at year end at $438.5 million. Assets were valued at $678.9 million.

For the year, HSI posted net cash from operations of $39.7 million, up from $36.0 million in 1989. It had a net loss of $8.4 million after $37.8 million of non-cash charges, primarily from depreciation and amortization. Net loss in 1989 was $8.5 million.

Hook-SupeRx at a glance

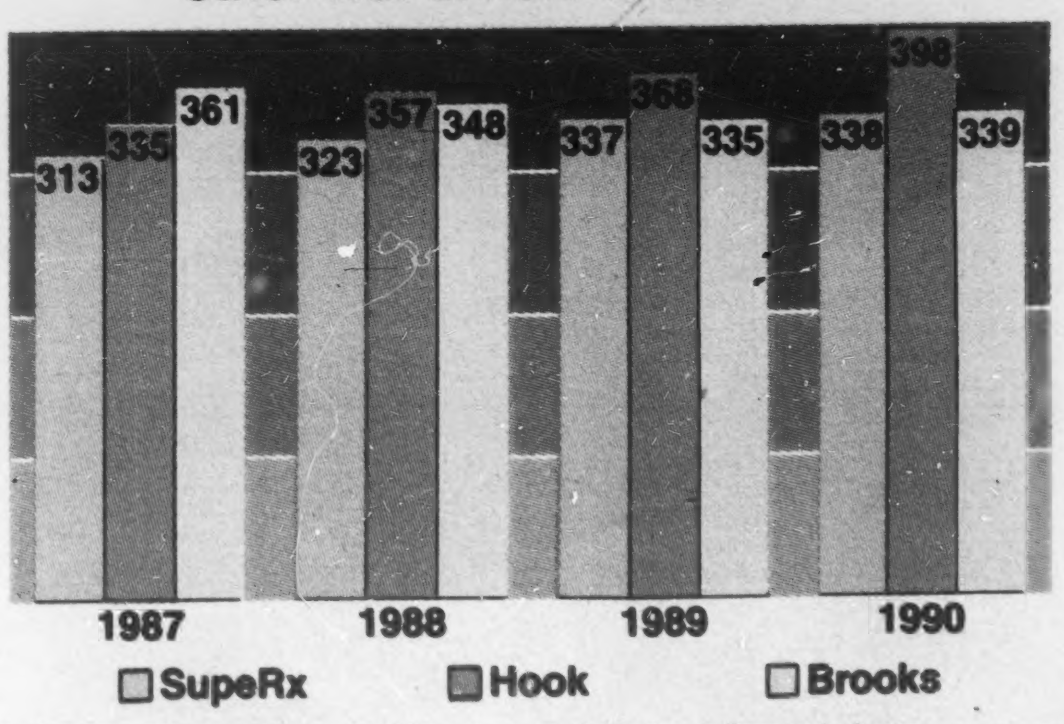
Name: Hook-SupeRx, Inc.
Headquarters: Cincinnati
Officers: Philip Beekman, chairman; Thomas Stilgenbauer, president, SupeRx division; Russell Mesalam, president, Hook division; Gayl Doster, president, Brooks division.
Sales: $1.87 billion, fiscal year ended Aug 31, 1990.
Store count: 339 Brooks, 398 Hook, 338 SupeRx, 13 Drug World deep discount stores, 30 convalescent aid centers.
Markets: 22 states in the Midwest, South, and Northeast.
Highlights: New store growth stepped up to 53, including 30 new Hook sites; companywide net gain of 35 stores. New presidents named at SupeRx and Hook.

HSI sales grow



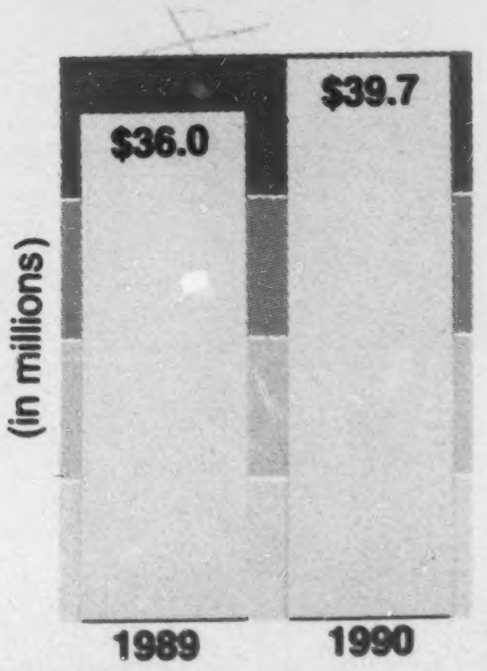
*FY ended Aug. 31, 1990.
Source: Company reports.

Hook store growth outpaces other HSI divisions in 1990



*HSI also has 30 convalescent aid centers and 13 deep discount stores.
Source: Company reports.

HSI cash flow
Net cash from operations



*FY ended Aug. 31.
Source: Company reports.

Fay's taking major step forward with pending Carls purchase

LIVERPOOL N.Y. — Fay's Inc. is prepared to raise its roster of drug stores by 25 percent with the pending purchase of neighboring Carls Drugs.

When the purchase is made final, Fay's will take another major step towards its five-year growth goal of 280 drug stores and $1 billion sales by 1994. Fay's also plans to add another 21 drug stores in 1991.

Henry Panasci, Jr., Fay's chairman and ceo, said Carls and its estimated $100 million annual volume will be completely assimilated. Since Fay's is already in most of Carls' markets, clustering and efficiencies should be positive byproducts of the deal.

Carls was founded in 1939 by Carl Panasci, uncle to Henry Panasci.

Record sales

In its fiscal year ended Jan. 26, 1991, Fay's produced record sales and earnings. Sales jumped 17.2 percent to $672.6 million, and net earnings increased to $12.3 million before an extraordinary charge, compared with $10.4 million a year earlier. After the charge, that came from the redemption and open market purchases of $27 million face value of the company's subordinated notes, earnings were $11.1 million.

Pre-tax earnings were $20.6 million, a 29.6 percent gain over the prior year.

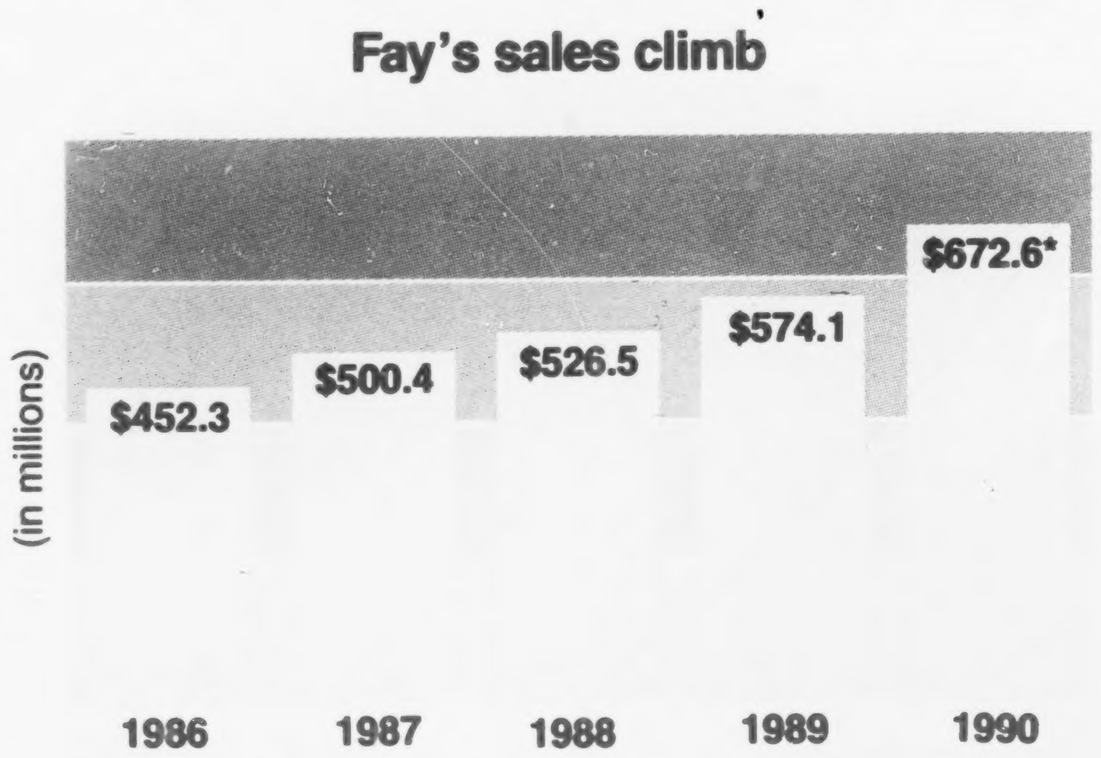
Panasci said that the chain continued to improve in gross margins and expense ratios. "The current economic situation has not dampened our expectations. We feel confident that our momentum in sales will continue and further improvement in expense ratios is possible," said Panasci.

In November, Larry Rose resigned as president after three years. Rose helped refocus the chain's marketing for the 1990s, naming Fay's first vp-marketing, Jim Wuest, adjusting prices and fine-tuning merchandise assortment.

Dan O'Leary—the former Touche Ross accountant who served as executive vp and financial overseer—was named president and chief operations officer, replacing Rose.

Fay's is building its three retail divisions, including the Paper Cutter office supply stores and Wheels auto parts. Paper Cutter grew by nine stores in the fiscal year, ending with 26 and plans for nine more this year. Wheels grew by two stores to 26, with another three on the drawing board.

To reach 197 drug stores at fiscal year-end, Fay's added 23 locations, and has since set plans for another 21 this year (exclusive of Carls).


Fay's sales climb

*FY ended Jan. 26, 1991. Results include drug stores, Wheels and Paper Cutter units.
Source: Company reports.

Fay's at a glance

Name: Fay's, Inc.
Headquarters: Liverpool, N.Y.
Officers: Henry Panasci, Jr., chairman/ceo; Daniel O'Leary, president/chief operating officer.
Sales: $672.6 million.
Store count: 197 drug stores (not including 48-store Carls Drugs, for which Fay's has signed a definitive purchase contract, 26 Wheels auto parts stores, and 26 Paper Cutter stores.
Store size: 14,500 square feet
Markets: New York, Pennsylvania.
Highlights: Agreement to buy Carls Drug O'Leary is named president and chief operating officer.

A Drug Emporium first: more corporate stores than franchises

COLUMBUS, Ohio — It was a year of milestones for Drug Emporium, which opened its 200th store and further surpassed the $1 billion sales benchmark.

The most dramatic change: corporate-controlled stores now outnumber franchise units for the first time.

Clearly, the deep discounter's plan to emphasize growth through corporate-owned stores is well under way. By fiscal year-end, Feb. 28, 1991, there were 114 corporate stores, up from 79 a year earlier, and 98 franchise stores, down from 116 the year before. Estimated corporate sales for the year: $1.2 billion, with $610 million from company-run stores and $600 million from franchises.

A public company since 1988, Drug Emporium said that virtually all stores from now on will be corporate, as it builds presence in existing markets, and selectively enters new markets. In 1991, Boston will get a share of the chain's 30 to 40 new corporate stores.

Growth markets will include Washington, D.C., southern California and Philadelphia. The company opened five stores last year in the Washington-Baltimore market, with plans for ten more this year.

It seems well on the way to having 225 corporate stores by FY-end 1994, a goal stated last year.

Drug Emporium also plans to develop markets where it recently bought out franchisees and continued to operate stores: St. Louis, four stores; Minneapolis, three; Milwaukee, five; plus Indianapolis, Augusta, Ga. and Charleston and Columbia, S.C.

Just last month, Drug Emporium said it signed an agreement to buy the remaining 45 percent of the nine-store Cincinnati-Dayton franchise and gain full ownership.

Opened store in N.Y.

The company was also scouting Long Island sites for corporate stores, after breaking into the New York market with a franchise store opened in Queens in 1989.

Franchise buyouts have been part of the company's long-term strategy of enlisting franchise partners to develop market share and name recognition. In virtually all cases, the former owners are retained to manage the stores after the corporate buyout.

Retail analysts were predicting flat earnings growth for the just completed fiscal year with dampened profits from new stores which typically don't make money the first year, as well as from the costs incurred in buying the franchises. Moreover, franchises in Charleston, S.C., and Augusta, Ga. were losing money, said Dan Wewer, retail analyst, Robinson-Humphrey Co.

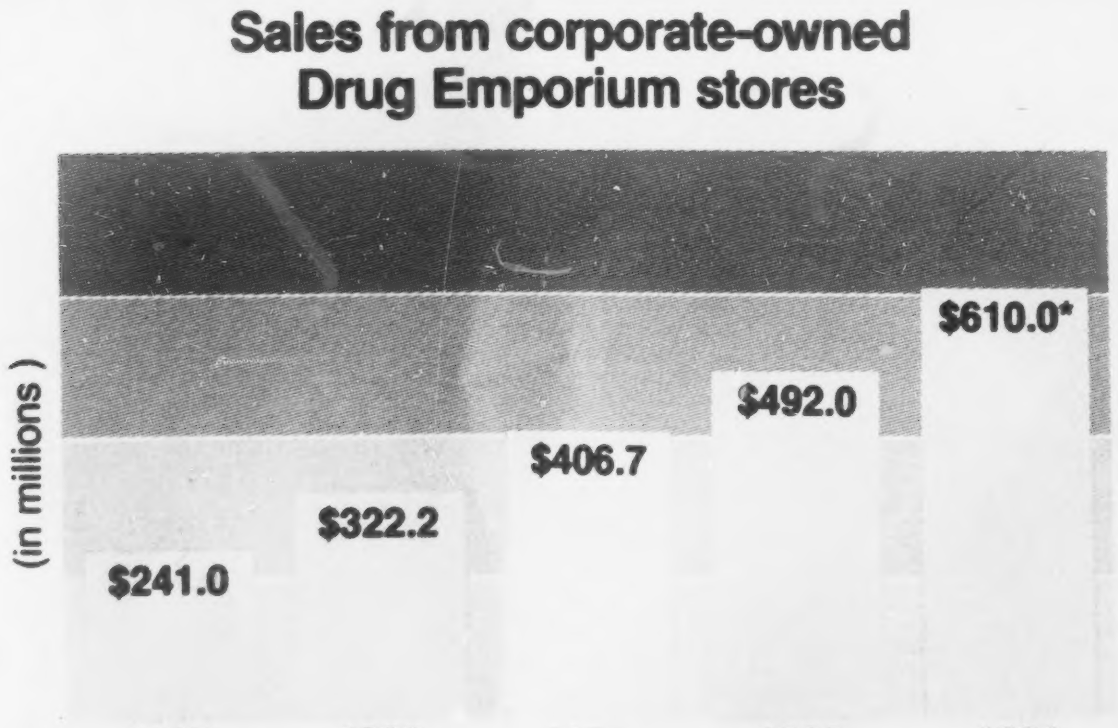
Analysts estimate Drug Emporium's earnings for the year ended Feb. 1991 will be 60 cents to 63 cents a share compared with last year's 63 cents, with earnings this year climbing to 65 cents to 70 cents, according to Earl Brown, Investor Relations Consultants.

Wewer forecasts 61 cents this year. But feels that by 1993 earnings will be growing at 25 percent to 30 percent annually.

Net income for the fiscal year ended Feb. 28, 1990 (the last complete fiscal year reported at press time) was $8.2 million, versus $7.9 million the year before, as the chain employed a stricter pricing strategy that continues this year. It lowered prices on the most competitive items to insure an everyday low price approach, while hoping to make up margins on less competitive items. The two-time-a-year coupon book was discontinued. The 1991 gross margin was 20 percent to 21 percent, virtually the same as the year earlier, said Brown.

The six-store Eastern Virginia franchise in Norfolk opened a Med Emporium home health center, with plans for several more of the full-line health care stores.

Bill Brock, a former merchandiser with SupeRx of HSI, was named director of general merchandise, responsible for all categories except HBA.


Sales from corporate-owned Drug Emporium stores

*Estimate for FY ended 2/28/91. Combined volume of corporate-owned and franchise stores is $1.2 billion.
Source: Company reports.

Drug Emporium at a glance

Name: Drug Emporium
Headquarters: Columbus, Ohio
Officers: Philip Wilber, chairman; Gary Wilber, ceo; Robert Lyons, president and chief operations officer.
Sales: $1.21 billion estimated for FY-end 2/28/91.
Store count: 114 corporate, 98 franchise.
Store size: 25,000 square feet
Markets: 30 states.
Highlights: Corporate stores outnumbered franchise stores and had more sales for the first time, as Drug Emporium continued to buy franchises and used corporate-controlled stores to spearhead growth.

Thrift's prototype now a reality; to scan chainwide

PITTSBURGH — Thrift has committed to its store prototype for the '90s, as it handily posted 10 percent sales growth in the fiscal year ended Feb. 1.

The innovative store format slants low-profile gondolas off a ten-foot-wide center aisle that runs straight to pharmacy in the rear. Some or all of the new design appeared in 16 new sites this past year and will show up in another 25 in '91.

Remodels will also be given all or most of the design; 30 are slated for '91, down from 37 last year.

Thrift completed an upgrade of its pharmacy system in September. It added software functions and completed the replacement of old Digital Equipment Corp. mainframes with IBM machines.

New functions include a physician file, which enables pharmacists to verify doctors' DEA numbers when filling controlled-drug prescriptions. A generic drug file alerts pharmacists to availability of approved generic equivalents.

Thrift's system, which was internally designed and developed, puts pharmacists on-line with a central computer data base for filling prescriptions. It includes information on patient profiles, drug allergy and health condition interactions, and data for filling third party scripts.

Last year, Thrift began filling a large percent of third party scripts electronically, using Envoy for verification and adjudication. It removed from stores PCS's Recap boxes.

Reaching $1.2 billion in sales, the 487-store Thrift chain also pumped up net income by 4.5 percent.

Thrift came close to completing a rollout of advanced POS terminals with scanning, ending the year with 476 stores equipped, up from 331 last year. All stores will be equipped for capturing price/item movement this year.

Thift had 245 drug stores in Pennsylvania. The next most-stored markets are New Jersey (70), Georgia (64), Kansas City area (24), Delaware (15), and Ohio and West Virginia (10 each).

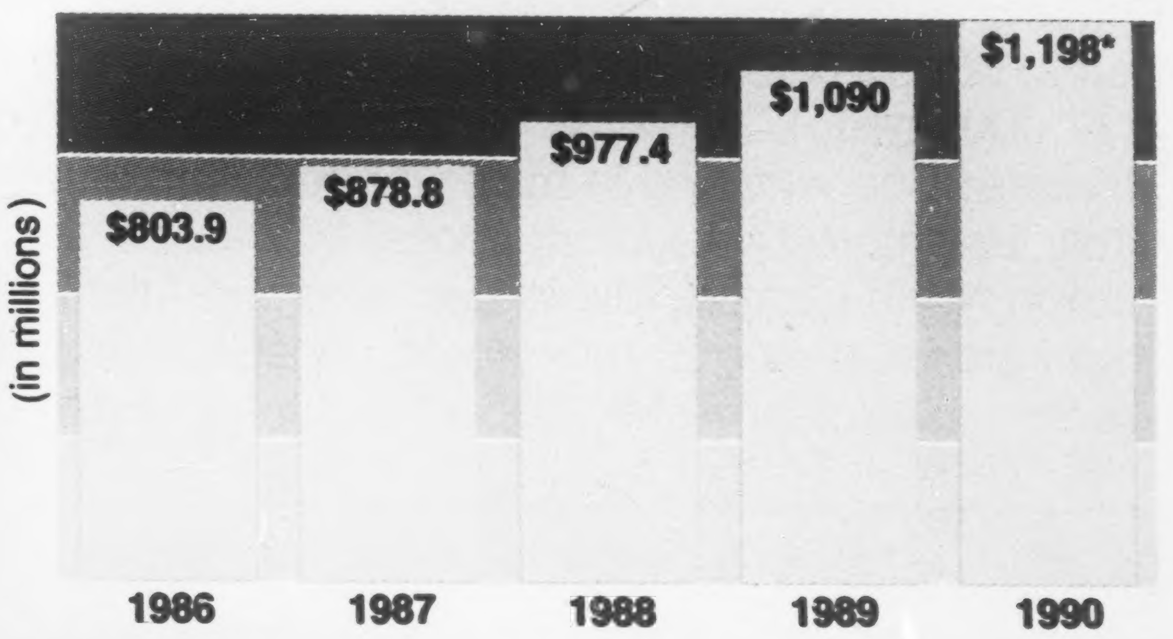
Prescriptions

Thrift has been especially resourceful in finding sites around Greater Philly, such as this former movie theater.

Thrift at a glance

Name: Thrift Drug
Headquarters: Pittsburgh **Owner:** JC Penney Co.
Officers: Robert Hannan, president; Tony Civello, executive vp-operations.
Sales: $1.20 billion **Stores:** 487 **Markets:** Pennsylvania, 18 other Mid-Atlantic, Southern and Midwestern states.
Highlights: Thrift commits to its new store prototype for all new stores and remodels; double-digit sales gains of the 1980s continued.

Thrift sales climb



*Fiscal year ended Jan. 31, 1991
Source: Company reports.

Perry weathers another downdraft on way to recovery

PONTIAC, Mich. — Chastened by its temporary stumble back into red-ink territory in fiscal 1990, Perry Drug Stores took itself to the woodshed in recent months. Its efforts to cut costs, impose operating and expense disciplines and focus on the core drug store business appear to be paying off: the company was back in the black in the first quarter.

The chain reported a loss of $6.2 million in the fiscal year ended Oct. 31, 1990, surprising and dismaying retail analysts who responded by downgrading the company's ratings on Wall Street.

But the slide—which interrupted a sustained earnings rally—appeared in retrospect to be more a temporary blip than a long-term condition. Perry came back with earnings of $1.4 million in the first quarter of the new year.

Perry chairman Jack Robinson called fiscal '90 results "clearly disappointing and short of earlier expectations." But he attributed the downturn to factors that were easy enough to identify, and said the chain was already well on the way to correcting the problems.

Among them: what Perry president and chief operating officer David Schwartz called "dismal" sales of high-margin general merchandise last fall as the economy soured; a resulting reduction in gross margins and a higher expense ratio; a change in accounting methods; and costs related to the acquisition and remodeling of 35 former Revco stores in Michigan.

Robinson and other Perry execs insist the chain is now on the right track. They cite several factors which bode well for the company's future, including continued stringent cost controls and the decision to focus solely on the drug store business, after a decade of diversification into auto parts, health care and other sideline businesses. The focus now, said Robinson, is profits.

Along those lines, the company has agreed to sell the balance of its $25 million Health Care Division to a management-led investor group. It has cut its corporate/administrative staff by 10 percent to save $5 million a year, and sold off its A.L. Price deep-discount division to former Revco and F&M president Bill Edwards.

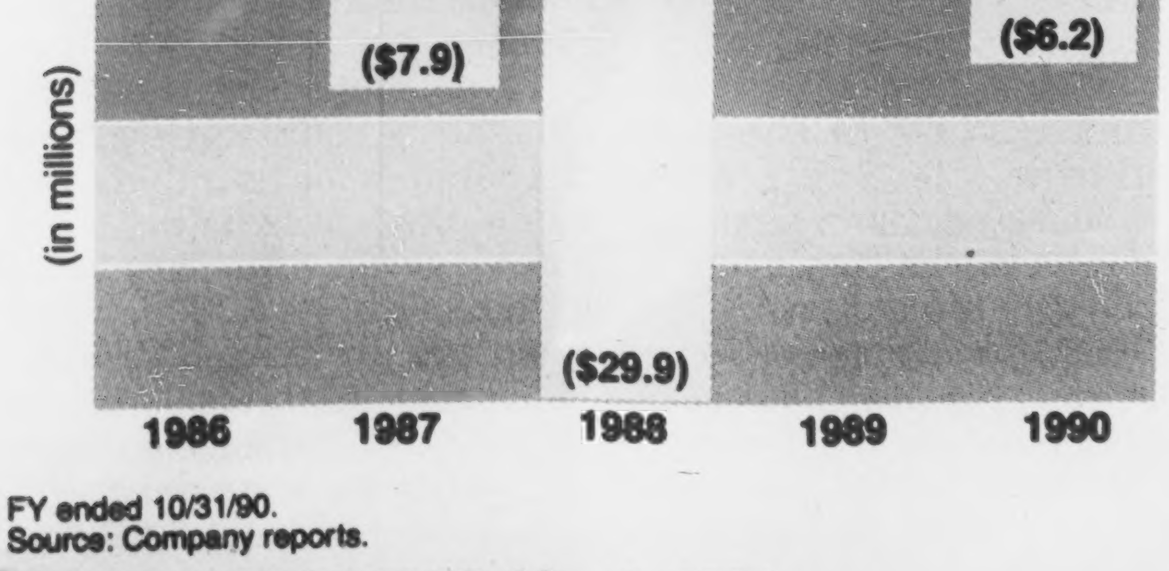
Perry also has high hopes for the 35 former Revco units it purchased from Reliable Drug Stores, despite some union troubles last year with former employees not included in the transfer of ownership.

The chain continues to invest in major store renovations, wih 38 more units upgraded to the "Store of the '90s" format last year and another 40 slated for conversion this year. Perry has also revamped its ad strategy and its private label line, completed installation of new "PerryLink" pharmacy computer systems in Michigan, and boosted its strength in 24-hour stores to 42 units.

Perry at a glance

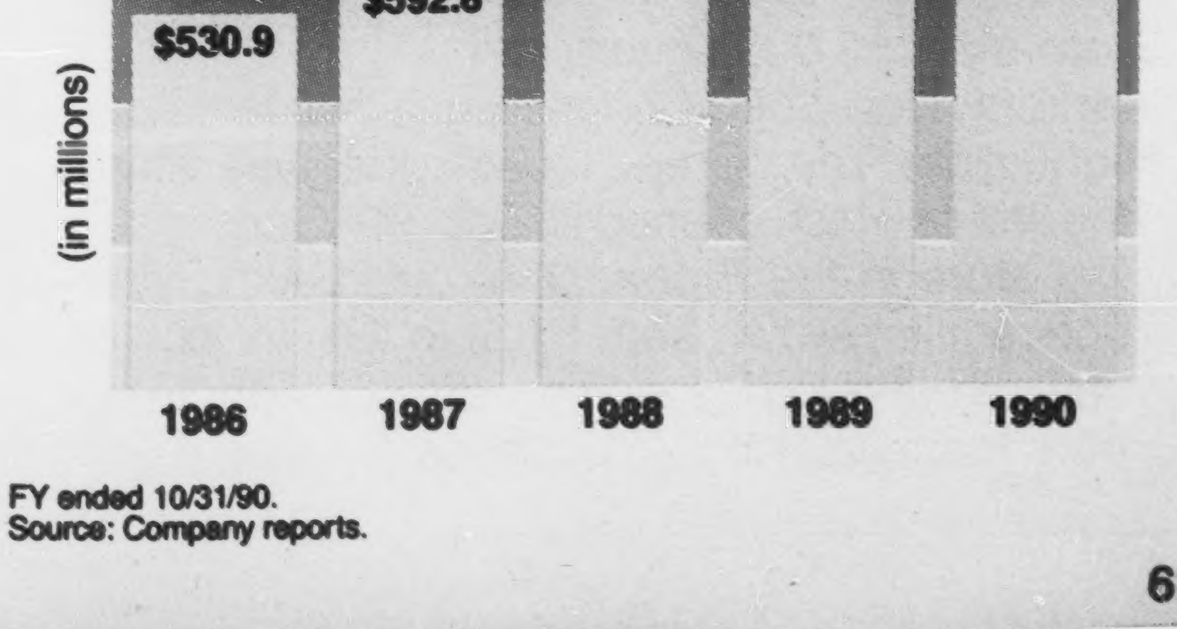
Name: Perry Drug Stores
Headquarters: Pontiac, Mich.
Officers: Jack Robinson, chairman; David Schwartz, president
Sales: $658.2 million **Store count:** 228
Store size: 8,950 square feet
Markets: Michigan, Chicagoland
Highlights: Sale of A.L. Price, outlying stores and Health Care Division; purchase of 35 Revco units; store renovations; staff cutbacks; installation of PerryLink; new ad strategy.

Perry earnings (loss)



FY ended 10/31/90.
Source: Company reports.

Perry sales



FY ended 10/31/90.
Source: Company reports.

F&M nears 100-unit mark with controlled expansion

WARREN, Mich. — Since Frank Newman took the helm at F&M Distributors in the mid-1980s, the nation's third-largest off-price chain has been on a fast track in sales, profit and store growth. Last year was no exception: the chain added another 21 units to its seven-state operating region, broke $600 million in revenues and achieved what Newman said were record profits.

That extends an unbroken string of profits for F&M—an important factor that has certainly fueled the chain's ability to extend its reach into some of the nation's biggest markets.

With its latest opening this month in suburban Minneapolis, F&M is closing in fast on the 100-store mark.

Another spur to F&M's successful growth has been Newman's ability to institute the systems and controls needed to allow for expansion. Spadework for F&M's rapid growth in the late 1980s and early '90s was done in 1986 and '87, when the company pulled in the talent, expertise and resources to become a far larger, more sophisticated machine capable of multistate operations.

Refocus, redefine

At the same time, Newman and other managers put the stores into sharper focus and defined F&M's retail mission as an everyday-low-price specialist in the deal-purchase, sale and presentation of HBA.

Although the chain continues to finetune its store format—making it more customer-friendly and gradually more upscale, in tune with the middle- and upper-middle-class demographics of its main consumer base—that retail mission hasn't changed. The company remains focused on a huge selection of name-brand HBA at deep-discount prices as its main drawing card.

The strategy seems to work well in all of F&M's major markets, including those in which it is still a relative newcomer.

The chain has been in metro-Minneapolis, for instance, for little more than a year, but already it has seven units up and running there. An eighth is set to open this fall, and Newman is planning as many as 12 to 15 in the Twin Cities within the next few years.

More stores bought

F&M also continues to snap up sites in Washington, D.C./Baltimore, which it entered via an acquisition three years ago. Total store count in those two cities will jump from 18 to 25 this year.

Also on tap: more stores for Chicago, F&M's biggest market with 33 units by year-end; and Detroit, where two units will boost store count to 25 this year despite the fact that it is F&M's birthplace and oldest market.

Meanwhile, F&M is gearing up for its entry into another major metropolitan area, Newman told *Drug Store News* earlier this year. That market will be disclosed soon, he said.

F&M at a glance

Name: F&M Distributors **Headquarters:** Warren, Mich.
Officers: Frank Newman, president/ceo; Michael Micallef, vp-store operations.
Sales: $660 million estimated **Store count:** 96 **Store size:** 24,000 sq. ft. (17,000 selling).
Markets: Concentrated in major metropolitan areas—including Chicago, Detroit, Baltimore/D.C., Minneapolis, Milwaukee, Indianapolis and Toledo—in seven North-Central, Midwestern and Mid-Atlantic states.
Highlights: Opened 21 new stores; consolidated and expanded in Minneapolis (a new market for F&M); "record profits" on estimated $660 million volume.

With net income up 99 percent, Genovese tests new ideas

MELVILLE, N.Y. — The New York metropolitan area might not seem the best place to grow things, but Genovese Drug Stores appears to have a green thumb.

After a year of rapid expansion, Genovese cut back on new stores during fiscal 1991 and dug in with belt-tightening measures that reaped "bumper" year-end results: Net income for fiscal 1991 shot up 99 percent, to $5.5 million, and sales grew to $432 million, a 6.6 percent increase over the previous year. Moreover, fourth-quarter net income set a company record, increasing 309 percent to $2.7 million, from $656,000 in fourth-quarter 1990. Sales for the quarter were $113.1 million, up 2.4 percent.

Although Genovese opened only two units during the year, both stores are significant. One, opened just before Thanksgiving, marks the chain's entry into the Bronx. The other, which debuted in October in Bay Shore on Long Island, is the first of Genovese's "greenhouse" stores, so called because the chain is growing and testing new ideas in it. (At press time, Genovese was about to unveil another greenhouse store, a renovated unit in New Hyde Park on Long Island.)

Genovese, which had equipped about seven stores with SASI's POS scanning system, tested IBM's 4680 POS scanning system in the Bay Shore store. Based on its performance, the chain has decided to roll out the IBM system in new stores and top-volume existing stores.

Vice president of marketing Don Gross, noting that the Bay Shore store has a 95 percent-98 percent scan rate, said the SASI equipment would be transferred to Genovese's deep-discount Great American stores.

Among ideas being "grown" in the Bay Shore greenhouse store: Genovese's first "senior manager" position, aimed at giving the store manager more autonomy over in-store decisions, such as merchandising; a price-check kiosk, where customers can scan bar-coded items that are not price-marked; and some new decor features, such as mirrors that act as energy-efficient reflectors around fluorescent ceiling lighting. The store also is equipped with the Synercom pharmacy computer system that Genovese is rolling out as its second-generation pharmacy system.

Although new store openings were few during fiscal 1991, Genovese refurbished and held grand reopenings of 24 stores.

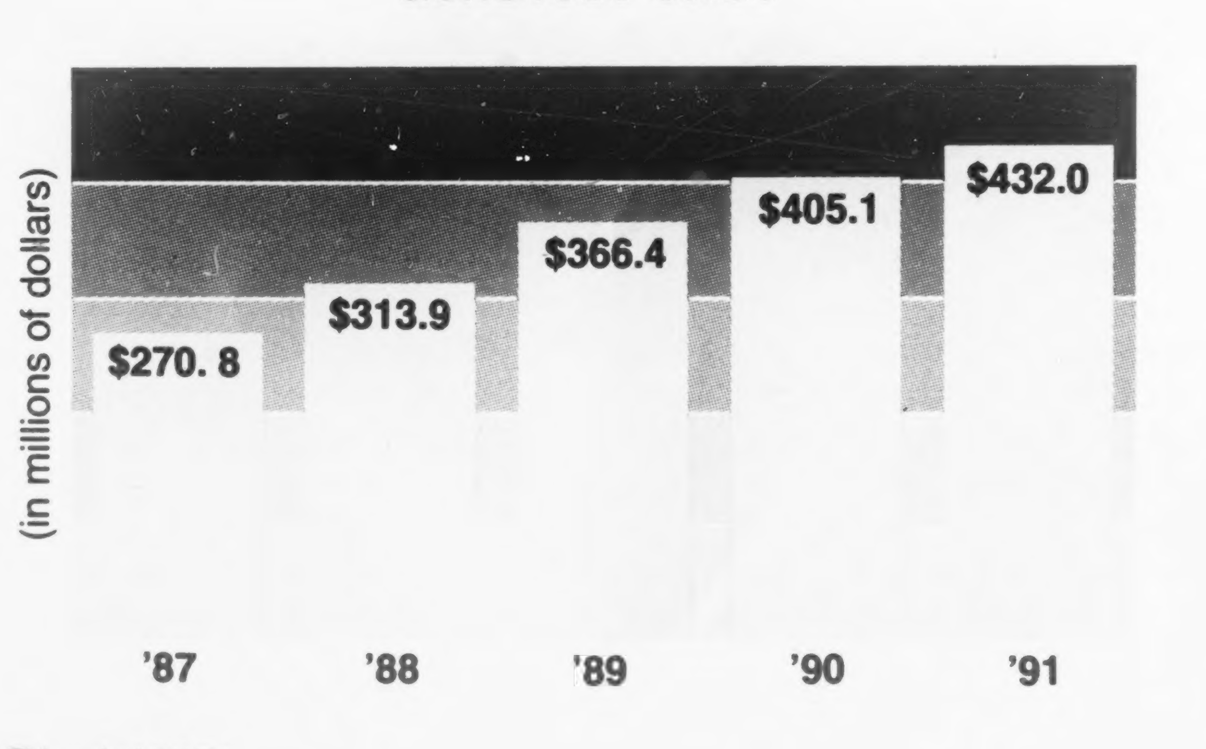
Genovese's Living Color photofinishing division, which does the photofinishing for all 96 Genovese stores, has blossomed in the past two years. An expanded ad program and strong promotional offerings have helped increase sales 60 percent over that period.

Early in 1991, the division moved into a new, 11,000-square-foot plant, about 20 percent larger than its previous quarters, and also moved its retail photo outlet into larger space next door to the photofinishing plant. In addition to the minilab in the retail photo store, Genovese has minilabs in four drug stores, including a state-of-the-art minilab in the Bay Shore greenhouse unit, and plans to roll out more minilabs.

The chain has done some innovative advertising and promotional projects this year. During Operation Desert Storm, for example, it assembled and mailed packages of personal-care items for service men and women in the Persian Gulf, on behalf of customers who filled out mailing labels. In time for Earth Day this April, it ran print ads featuring environmentally friendly products, such as Arm & Hammer baking soda and Marcal paper products, after a lengthy study of manufacturers' environmental claims.

To build its business and image among seniors, Genovese last summer inaugurated a Senior's Day, designating each Tuesday as a day when older customers in its 60-Plus Club could get 10 percent off private label products, enjoy a cup of coffee and some socializing, and receive special attention from store personnel.

Genovese sales



FY ended 2/1/91.
Source: Company reports.

Genovese at a glance

Name: Genovese Drug Stores
Headquarters: Melville, N.Y.
Officers: Leonard Genovese, chairman and president; Herb Kett, vice chairman
Sales: $432 million
Store count: 96, including 93 Genovese drug stores, 2 Great American deep-discount stores and its Living Color Photofinishing store and plant.
Store size: 12,000 square feet.
Markets: New York, Connecticut, New Jersey.
Highlights: The "Greenhouse" prototype store, the first of which opened in Oct. '90; Genovese's first store in the Bronx, N.Y.; outstanding year-end results; switch from SASI to IBM for continued roll out of POS scanning; growth of photo depart ment and minilab business.

Arbor rolls on in record territory Detroit chain is a national success

TROY, Mich. — Arbor Drugs has become one of the darlings of Wall Street. It's easy to see why: the chain just keeps racking up record-breaking sales and earnings each year, sailing easily through the choppy waters of the recession with its disciplined, highly focused approach to drug retailing.

In the process, Arbor continues to rack up plaudits from the nation's business press: *Forbes* named the chain one of the nation's 200 best small companies for the third year in a row. *The Detroit Free Press* called it "Michigan Company of the Year" for 1989-90. Arbor's chairman, Eugene Applebaum, was named "1990 Strategic Manager of the Year" by the Detroit Chapter of the Planning Forum. And *Drug Store News* named the chain its 1989 REX Small Chain of the Year.

Not bad for a 28-year-old company that few outside of southeastern Michigan had even heard of prior to the mid-'80s.

In fiscal '90, Arbor earned a record $11 million on sales of $341 million, while boosting return on equity to 19.2 percent. It also cut long-term debt to 31.5 percent of total capital from 36.3 percent the previous year. Annual compounded sales growth for the past five years is 23.2 percent; compounded net is up 20.6 percent.

This year, Arbor has maintained its momentum in a difficult sales environment. In the second quarter ended January 31, net was up 12.9 percent, with sales up 18.6 percent.

Applebaum and his small cadre of top executives attribute Arbor's success to an emphasis on a convenient, conventional, in-stock selection of drug store basics, wide product assortments, a dependable pharmacy operation, value pricing and a policy of consistency. Customers, says Applebaum, want to be able to shop any Arbor store and know they'll find the same merchandise, always in stock, in the same location and in immaculately clean surroundings.

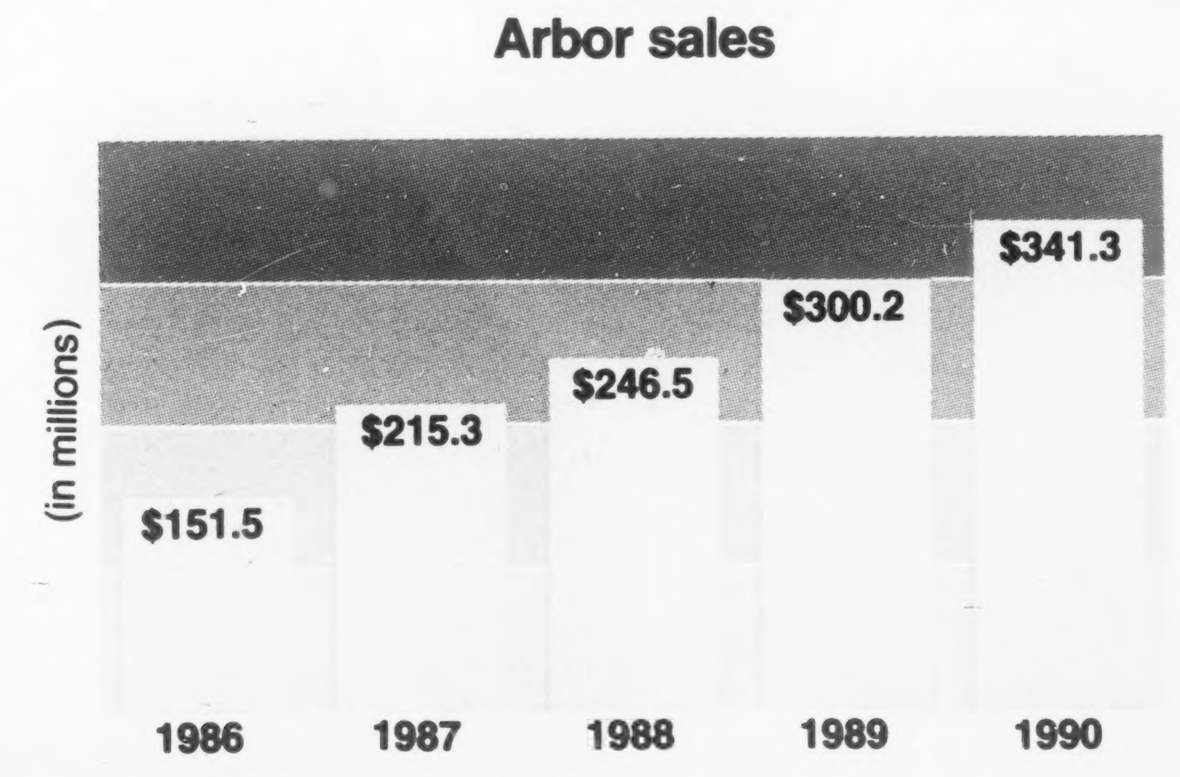
Internally, Arbor's mission is also deceptively simple: "meaningful and profitable growth achieved through a professionally managed, highly disciplined chain drug store operation . . . committed to improving sales and profits annually" and "exceeding drug store industry averages in both operating efficiency and financial performance. . ."

The past year has been good for Arbor in other ways, as well. The chain blew easily past the 100-store mark, and is now in the midst of a rapid expansion that should easily fulfill its goal of 150 stores by 1993. In fiscal 1990, per-store sales hit $3.7 million, and pharmacy revenues accounted for 41.2 percent of total sales.

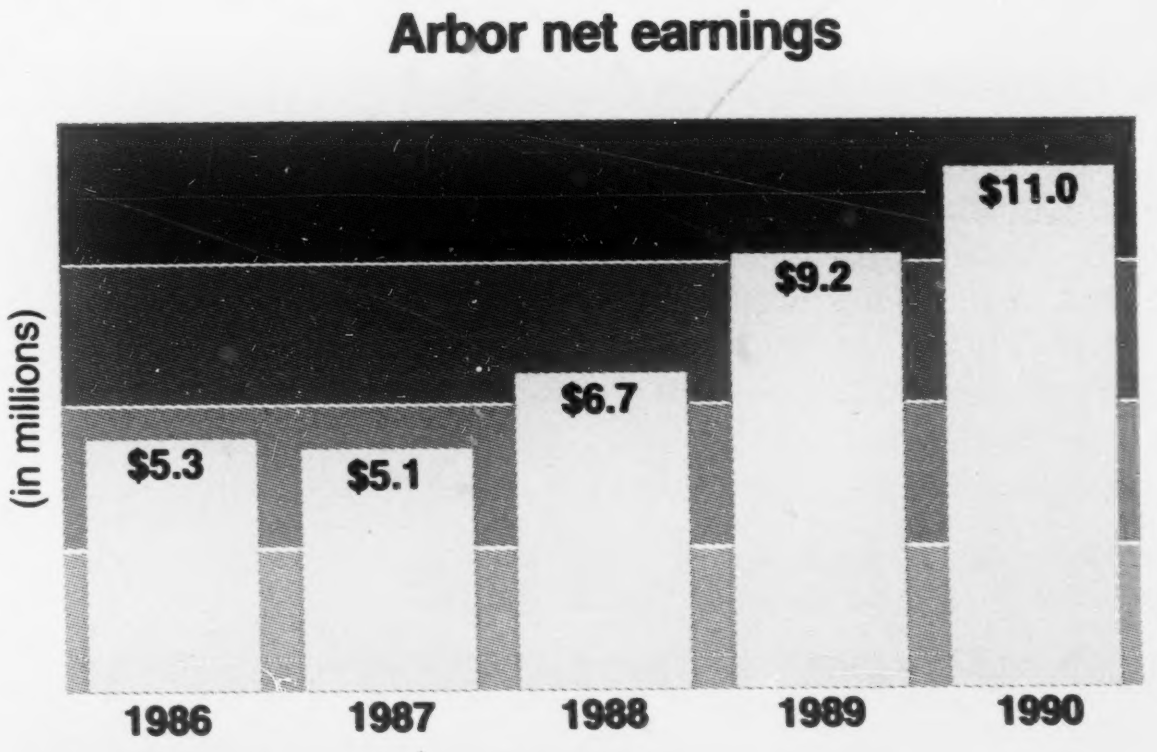
The company marked another milestone last year with its move into brand-new corporate offices on West Big Beaver Road, across from Kmart's world headquarters. Those offices, filled with Applebaum's considerable collection of modern art and lit by natural light pouring in through massive windows, underscore just how far this company has come since its founder opened Civic Drugs in Dearborn, Mich. in 1963.

Arbor at a glance

Name: Arbor Drugs, Inc.
Headquarters: Troy, Mich.
Officers: Eugene Applebaum, chairman/ceo; Markus "Max" Ernst, executive vp/chief operating officer.
Sales: $341.3 million.
Store count: 111 currently. 98 at FY-end 7/31/90.
Store size: 10,800 square feet (8,300 selling).
Markets: Michigan.
Highlights: Rapid expansion in Michigan.



FY ended 7/31/90. Store count was 98 at FY end.
Source: Company reports.



FY ended 7/31/90. Store count was 98 at FY end.
Source: Company reports.

Big B's uphill expansion efforts are beginning to pay off

BESSEMER, Ala. — Big B has been swallowing hard for the past two-and-a-half years to digest its ambitious takeover of 85 former Reed drug stores in Georgia.

That 1989 acquisition thrust Big B into the unfamiliar, furiously competitive Atlanta market, where its managers and support people had to learn some tough lessons in a hurry about local consumer demand, regional management and high-cost distribution in a market where Big B was an unknown.

It was a sizeable challenge, and it took time to bounce back. Higher interest payments and big consolidation and conversion costs related to the acquisition cut net earnings dramatically in the fiscal periods following the purchase.

Then, a cut in gross margins to respond to tough competition dragged Big B into the red in the second and third quarters last year, resulting in the company's first annual loss in its 23-year history in fiscal 1991.

The storm clouds, however, appear to be dispelling rapidly. Despite the fiscal year loss, Big B ended the period with a sharp upswing in the fourth quarter. Thanks to some higher prices in the stores, some cost-cutting disciplines and steadily improving results in the former Reed stores, the company reported record profits of $2.45 million for the last quarter of the year. Coupled with a 13 percent same-store sales gain, that upswing helped mitigate the loss in fiscal '91 and marked a significant turnaround.

Indeed, Big B reported that its Atlanta stores broke into the black late last year, for the first time since the takeover.

Helping hold down operating costs is Big B's newly expanded distribution center, which can handle up to 500 stores, according to the firm. The larger, more automated facility eliminated the need for a local warehouse in Atlanta and enhanced inventory control, Big B states.

Big B at a glance

Name: Big B
Headquarters: Bessemer, Ala.
Officers: Joseph Bruno, chairman; Anthony Bruno, president.
Sales: $463.6 million
Store count: 310 currently. 307 at FY-end 2/2/91.
Store size: Big B, 9,000 square feet; Drugs For Less, 20,000 square feet.
Markets: Ala., Ga., Tenn., Fla., Miss.
Highlights: Passed 300-store mark.

What's more, the chain continued to grow in the midst of its downturn. Big B grew to 310 stores last year with 14 new-store openings and the acquisition of eight former Revco stores in Alabama, while closing eight former Reed stores in a consolidation move.

C5150-2

The newspaper of drug store retailing

May 20, 1991

DRUG STORE NEWS®

Vol. 13 No. 10

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LATE NEWS

- **Twinsburg, Ohio — Revco will buy 31 Peoples stores in Virginia and North Carolina from CVS.**
- **Minneapolis — Former SupeRx (Ariz.) vp Bob Uecker becomes Target's director of Rx operations.**
- **Akron, Ohio — U.S. Bankruptcy Court gave Revco until Aug. 7 to file a plan, but killed a bondholder's motion to set a deadline for conversion to Chap. 7 liquidation.**

FEATURES

Ethnic returns steady at chains

Chains are hoping innovative products launches will rejuvenate single-digit growth ethnic sales. **Page 21.**

Hot category turns chains on

Drug chains are taking advantage of bulb vendors' new products and merchandising systems. **Page 13.**

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SECOND CLASS

Fay's Carls buy, a 'perfect fit'

By David Vaczek

LIVERPOOL, N.Y. — Fay's added marketing clout and cost efficiencies in key upstate New York communities through its purchase of Carls Drug, completed last month.

Described as a "perfect fit" by Fay's Chairman Henry Panasci Jr., the merger will provide an edge in markets where CVS and combo store dynamo Wegmen's apply constant competitive pressure.

Upstate independents, strengthened by wholesaler voluntary programs, and top grocery operator Hannaford Bros., which has targeted New York with a next-generation food/drug format, have provided consumers with other alternatives for prescriptions and drug store merchandise.

Fay's growth in recent years has been in urban areas and in small towns and rural areas through purchases of independants and bantam-sized stores as well as through new store construction.

As Carls is integrated into Fay's, Fays will benefit from economies of size, for example in advertising. One circular can serve a market, where two might have been used before, Panasci told Drug Store News.

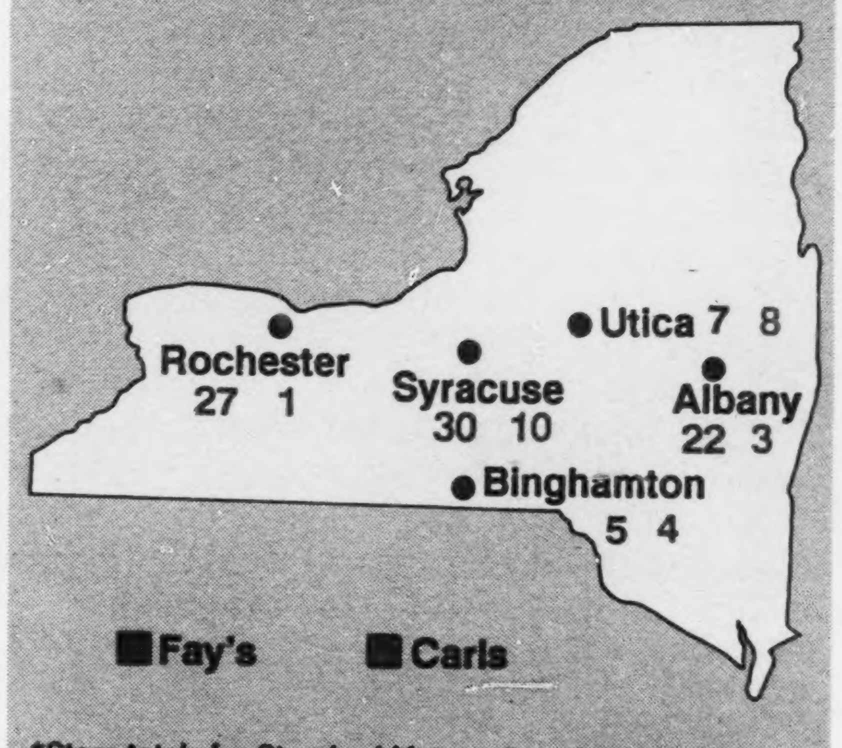
Panasci said four of the 48 Carls purchased from Norwich, N.Y. based Victory Markets — two in Binghamton, one in Ithaca and one in Auburn — will be closed. With the buy, Fay's adds about $100 million in sales. Fays, Inc. tallied $672.6 million sales in the fiscal year ended January 1991, not counting Carls.

Conversion of the stores to Fay's — planned for completion by the end of July — won't require extensive changes at Carls which, with slightly smaller stores, has "mirrored" Fay's merchandise assortment, according to Panasci. Excess Carls product will be sold through a former Fay's store in Buffalo, the ceo added.

The new stores fall within the existing

See **Fay's** *page 45*

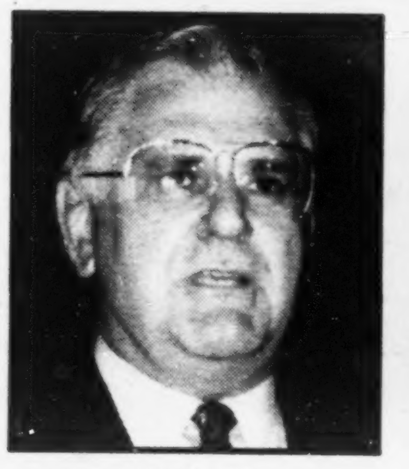
Fay's builds share in key N.Y. markets*



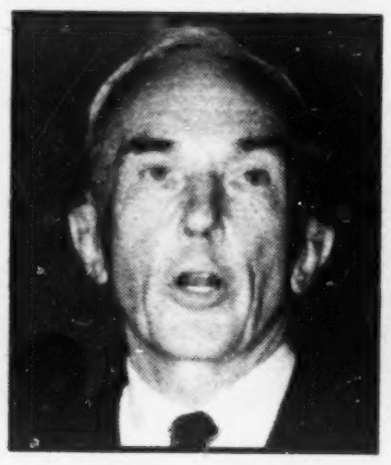
*Store totals for Standard Metropolitan Statistical Areas, which include the cities.
Source: Metro Market Studies

'91 NACDS Annual Meeting at The Breakers

Attendees put alliance-building into practice



Gilbert



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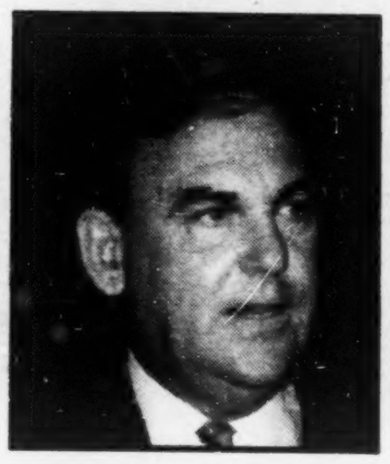
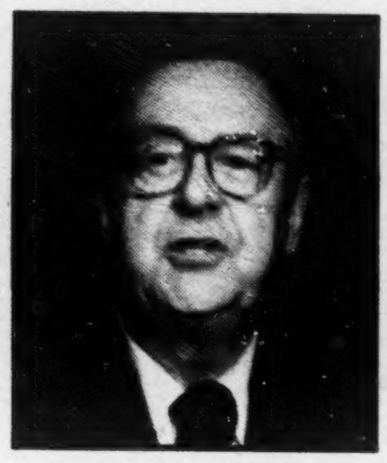
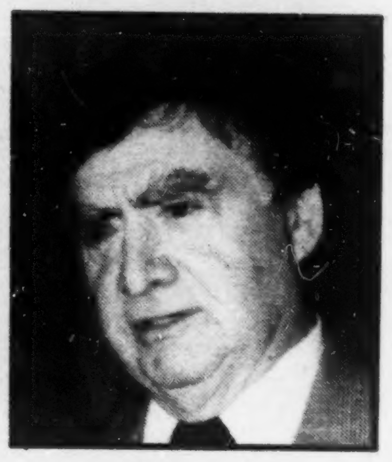


Ziegler

Sharp



Chancellor



Salinger

Alliance & Progress

PALM BEACH, Fla. — The 2,200 retailers, suppliers and guests who packed The Breakers for the 1991 NACDS Annual Meeting seemed to take to heart the conference's theme, "Alliance & Progress."

The four-day event broke new ground in the steadily improving relationships between the supplier and retailer sides of the chain drug industry, with an air of mutual respect permeating the constant rounds of business sessions, meetings and social gatherings at this showcase resort that has come to be almost synonymous with the annual industry event. Vendors and chain executives seemed to make a concerted effort to clear the air and lend substance to the wishful words of conference speakers who urged a better partnership between the two sides.

Thus, the event could be described as friendly, informal and even relaxed as in years past—but at the same time as focused and workmanlike. Even the parties had an air of purpose behind the merrymaking; that purpose: to forge closer alliances with key vendors and thus grow stronger in an era of dizzying change.

"The annual used to be almost completely social in the way it was conducted, but in

See **NACDS** *page 6*

Medicine Shoppe set sights on Taiwan

By Elizabeth Richardson

ST. LOUIS — Medicine Shoppe International (MSI) has reached a Master License Agreement with Pro Healthcare of the Republic of China, Taiwan. The agreement, which is being reviewed by the Republic of China, would allow MSI to consult with Pro Healthcare to open Medicine Shoppes in Taiwan. Approval by the government could come within 30 to 90 days.

MSI began working on the agreement last summer, when F.M. Chang, president of Pro Healthcare, approached several U.S. businesses about a Taiwanese franchise operation. Chang, a faculty member at the Taiwan pharmacy school, is active in the Pacific Rim pharmacy group, also serving Vietnam, Korea and the Philippines. His experience helped boost MSI's confidence in the proposed operation.

The Medicine Shoppe®
Prescription Centers
Medicine Shoppe International, Inc.

"Pro Healthcare and its executives are deeply rooted in the profession of pharmacy," said Ron Hofmeister, MSI's executive vp. "It's a tremendous opportunity to take the Medicine Shoppe concept to the Taiwanese people, and a tremendous opportunity for them to be leaders in independent pharmacy."

Diverse market

Hofmeister explained that the Taiwanese pharmacy market is a diverse one. "On one block of a town, you will find

See **Medicine Shoppe** *page 45*

NEWS IN BRIEF

Boyd named Rx director at Safeway

OAKLAND, Calif. — Safeway announced that Dick Boyd has been named director of pharmacy for the supermarket company.

Boyd, former vp, pharmacy operations for American Drug Stores, sees a tremendous opportunity for Safeway to push ahead aggressively in the pharmacy business. He told *Drug Store News* that the company's intent was to put as many pharmacies in their stores, both new and remodeled units, as possible.

With 33 years in the drug store business, many of them as a Longs pharmacy executive, Boyd sees the move as "a good fit." "With my experience in all phases of the drug store and pharmacy operations business, and the company's target for aggressive growth, the match is a good one," he said.

Revco exec Arthur Maine dead at 51

TWINSBURG, Ohio — Arthur Maine, who was senior vp in charge of personnel at Revco D.S., died suddenly April 19 of a heart attack. Maine, 51, was in California to be on hand for the return of his son, who was serving with the Navy in the Persian Gulf.

Maine started with Revco in November 1987, as senior vp-personnel after a 22-year career with The Sherwin-Williams Co. "Art Maine was the first executive I recruited for the new team here at Revco," wrote company chairman and ceo Boake Sells in a letter to employees. "He shared my conviction that people were what mattered most in this company's turnaround.

"The first thing he did here was to remove the time clocks and reserve parking from corporate headquarters," Sells went on. "One of the next things he did was help me set up my companywide employee call-ins . . .This is a big loss to all of us."

Alco becomes RDS's No. 1 wholesaler

PHOENIX — RDS has picked Alco Health Services as its primary wholesaler for pharmaceuticals. Bob Oberfield, RDS executive vp-administration, said shipments began about March 1. Alco is supplying approximately 163 RDS stores in Arizona, Texas, New Mexico and Colorado with pharmaceuticals and a limited amount of OTCs from its Louisville, Ky., and Columbus, Ohio warehouses. Because of the distance, some shipping will be by air, via UPS, which has a hub in Louisville, as well as by truck.

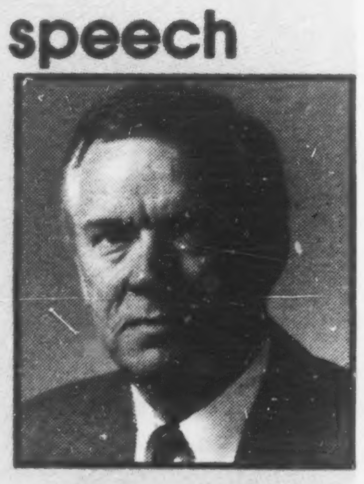
RDS names two key executives

PHOENIX — In a restructuring move, RDS has named two regional managers to replace Orlie Segneri, who left the chain in January to pursue other interests. They are Steve Thayer, who is responsible for the Arizona region, consisting of about 85 stores, and Sal Romo, who is responsible for approximately 70 RDS stores in Texas, New Mexico and Colorado. Both are former longtime Revco associates.

Eckerd's Turley plans AHBAI speech

HILTON HEAD, S.C.—Stewart Turley, chairman and president, Jack Eckerd Corp., will be the keynote speaker at the American Health and Beauty Aids Institute's 9th annual Mid-Year Conference here June 1-4.

Turley is scheduled to speak June 2. The theme of the AHBAI conference is "Urban Marketing Part II—Macro Profits from Micro Markets."


Stewart Turley

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Genovese's 'green' ad promo draws a big local response

By Susan Ball

MELVILLE, N.Y. — Genovese Drug Stores broke its first ad devoted to environmentally responsible products the first week of April, appropriately timed to anticipate Earth Day April 22.

The full-page print ads ran a week and included paper towels and tissue from Marcal, Arm & Hammer baking soda and detergent, Tampax tampons and Earth Rite bathroom and kitchen cleaners.

Genovese buyer Arnold Portnoy, who spearheads Genovese's 2-year-old task force on environmental issues, said the chain was amazed at the response from communities as well as customers. Two towns even called to request that Genovese stock brown lawn and leaf bags and clear plastic garbage bags. (Genovese plans to.)

Genovese is taking a "very conservative, very careful" approach to environmental issues, Portnoy said, weeding through hundreds of products with green claims to select the most "through-and-through" environmentally sound items.

He pointed out that consumers not only got a good price on the items, they also could get free extras: from Arm & Hammer, an environmental wheel containing 37 cleaning and personal-care uses for its products, and from Tampax, a paperback book, *50 Simple Things You Can Do to Save the Earth*. By purchasing Marcal products, they helped Genovese accrue funds to support of Marcal's Plant a Tree program. (Through this program, Genovese chooses the communities to which funds will be donated for tree plantings.)

The ads are part of a larger effort by Genovese to focus on environmental concerns. The chain is also talking to private-label vendors about labeling, use of polyethylene terephthalate (PET) in packaging and the like. It's considering using shelf signage to indicate environmental claims. And it has started internal practices, such as recycling office paper and switching from styrofoam cups to ceramic mugs.

Marc's gets cooking again with plans for new units, spiffier store layouts

CLEVELAND — Marc Glassman, Inc. is accelerating its growth plans after a period of relative quiescence here, with plans for several more deep discount drug stores this year and next.

The chain opened Store No. 21 on Puritas Road on Cleveland's west side in February, and will add another Cleveland-area unit in June. Said one source at the company, "We've got several things cooking right now. We'll open a few more stores in '91, mostly around midyear, and a few in '92 also."

The chain of off-price stores is also looking at new store layouts, improved store automation to cut shrink and boost productivity, and "anything that can improve the bottom line," said a company spokesman. Marc's also has an ongoing remodeling program for older stores.

Founded by president and ceo Marc Glassman and run by a lean staff of young executives, Marc's helped define the off-price drug store concept in the late 1970s and early 1980s, and was on a fast-growth track in the mid- to late-'80s. Glassman learned the business while working for Bernie Shulman's, a pioneering deep-discount drug operation in Cleveland which Glassman has since added to his own store network.

As one of deep discounting's most successful entrepreneurs, Glassman specializes in rapid-fire, in-and-out promotional buys, a shifting mix of deal merchandise and massive, cut-case displays of paper products, snack and grocery items, hair care products and other merchandise. He operates 18 Marc's, Bernie Shulman's and Jote's off-price stores in northeast Ohio, as well as three Xpect stores in Connecticut. Sales last year exceeded $300 million.

F&M will crack Boston market in fall

WARREN, Mich. — F&M Distributors will leap into another major market and extend its reach east into New England with the openings of four new stores in metropolitan Boston this fall.

The four deep-discount stores will hold simultaneous grand openings sometime before Christmas to herald a rapid push into the nation's ninth-largest drug store arena, according to F&M president and chief executive Frank Newman.

Boston is relatively free of deep discount drug retailing thus far, so F&M will face the twin challenge of educating consumers to the off-price concept while it strives to quickly create an image for itself in a new market.

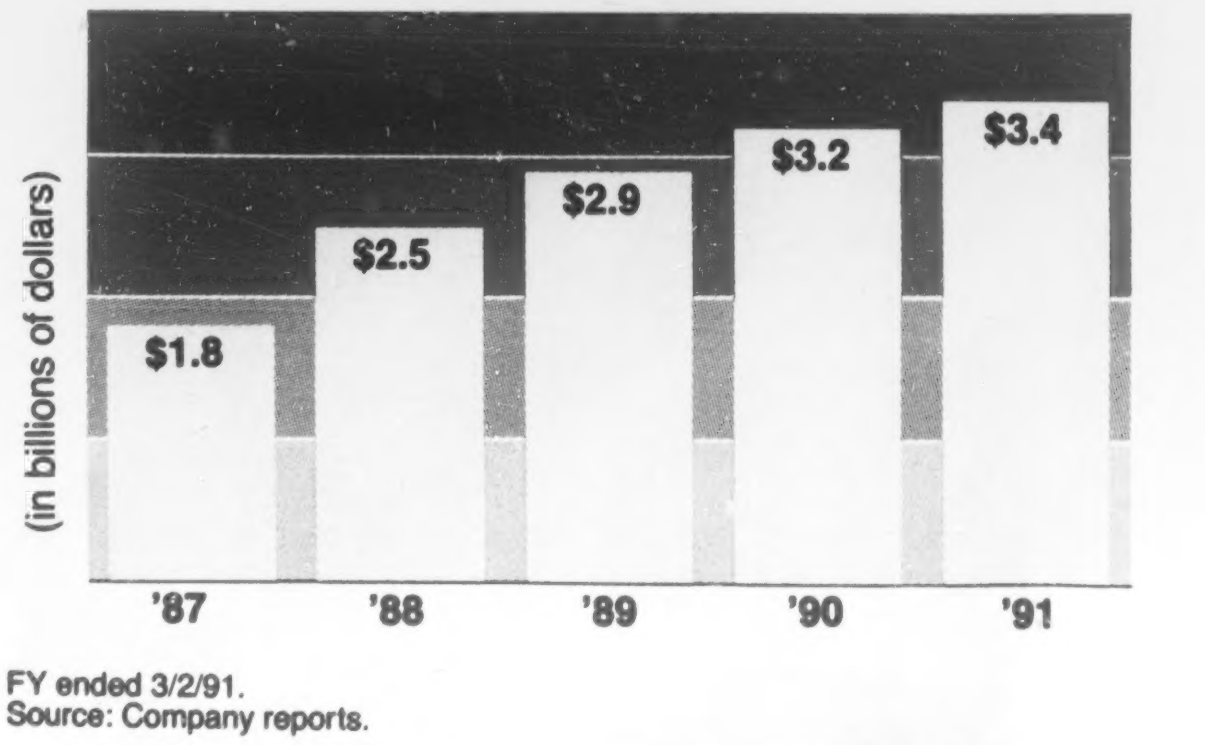
The push into Boston extends F&M's strategy of concentrating its stores in and around major metropolitan areas. The off-price chain has spread rapidly beyond its hometown roots in greater Detroit since Newman took the leadership reins in the mid-1980s, and has tripled in size.

F&M will open its 100th store in June and should hit 113 units by the end of the year, fulfilling the predictions for rapid growth that Newman made several years ago.

Correction

In the May 6, 1991 issue, *Drug Store News* mistakenly transposed figures in a chart detailing Rite Aid's five-year sales trends. A corrected chart appears below:

Rite Aid sales



FY ended 3/2/91.
Source: Company reports.

OPINION

Alliance fever runs high at NACDS Annual

IN THE MARKET
BRUCE BUCKLEY

On Monday on an unseasonably hot day in late April the twin towers of the landmark Breakers Hotel in Palm Beach suddenly looked strange. Atop the south tower where the NACDS banner has traditionally flown during the association's annual meeting was a different pennant bearing a green and white checkerboard pattern. What was going on?

It turned out that Palm Beach officialdom had suddenly decided to enforce a 10-year-old law prohibiting the display of private pennants, such as the one that had flapped atop the Breakers during so many NACDS meetings over the years. If any flag was to be flown next to Old Glory, it had to be Flagler County standard. Whatever his private feelings, Ron Ziegler asked the Breakers to comply with the rule. The NACDS flag was struck.

It was a minor setback in a meeting that set new standards for the depth of its business presentations and, as our front page story notes, in the spirit of cooperation among retailers and suppliers.

The three business sessions were outstanding. Playing off the theme "Alliance & Progress," the sessions moved from the international arena—with especially perceptive commentary on the recent Gulf War by John Chancellor, Pierre Salinger and Ron Ziegler—to business issues of paramount importance to the retailers and manufacturers in attendance. These issues revolved around the shifting patterns in the buyer-seller relationship, the importance of alliances and the emerging threats to the heart of the drug store business—pharmacy.

The alliance aspect is well covered by Jim Frederick in his front page stories and by executive editor Al Heller in his column below.

On the pharmacy issues, there was a highly instructive panel discussion ably led by *Pharmacy Times* editor and publisher Ray Gosselin.

Out of all the questions, the opinions, the back and forth interplay of ideas, a couple of words and phrases shouted out for me: Chaos and collision course, the first describing the uncertainty of today's health care climate with rising consumer expectations and dwindling resources; and the second describing the rising tension between the need for more patient consultation from pharmacists and the need for fair reimbursement to cover the cost of those services. Plenty of questions, very few answers. But the interchange was important. Out of the chaos, with organizations like NACDS leading the way, will come new ideas and fresh solutions. Count on it.

* * *

Many U.S. companies are involved globally, but can you think of a drug store retailer that's moved into the international arena? I can't. But now Medicine Shoppe is moving into an entirely new enterprise abroad (Page 1).

If plans are approved by the Taiwanese government, Medicine Shoppe will become a consultant to a company called Pro Health Care of the Republic of China, Taiwan. MSI will train Pro Health Care in the intricacies of setting up and running Medicine Shoppe franchises.

Taiwan's retail climate is vibrant and fast-evolving, as Elizabeth Richardson's story indicates. Thus there are opportunities for new ideas and new retail formats. Says MSI's executive vp, Ron Hofmeister: "It's a tremendous opportunity to take the Medicine Shoppe concept to the Taiwanese people, and a tremendous opportunity for them to be leaders in independent pharmacy."

Creative alliances are currency of the '90s

THE HUMAN SIDE
AL HELLER

Citing that famous American philosopher Yogi Berra, "the future just isn't what it used to be," Harvard Business Review editor Rosabeth Moss Kanter told a packed NACDS Annual Meeting ballroom audience in Palm Beach that crisp business thinking must be constantly updated because marketplaces are shifting rapidly.

"New consumer loyalties, mergers and acquisitions. . .create the need to assume constant change and plan for that change with collaborations," she said.

Whether those retailer-supplier collaborations are balanced is another matter. At the outset of a panel she moderated on alliance building, Kanter told this tale:

A pig and a chicken were discussing their ham and egg breakfast. 'Why are you so concerned?' asked the chicken. 'For you it's a contribution; for me it's a total commitment,' said the pig.

"There are no products anymore, just services," Kanter declared. When people use products and they work well, that's perceived as a service.

Yes, she said, large chains have consolidated, have more information and pharmacy is more sophisticated, so they have greater leverage. "But consumers have the real power and more choices than ever before," she added. "They have a pressured and busy life. They want to shop for price, but also want convenience, quality and service. That's a daunting challenge."

Kanter spoke of American Airlines as a model of "creative collaborations" that have enabled the airline to sidestep many troubles plaguing that industry. Its secret: closeness to its customers, first with its SABRE reservations system placed with travel agents nationwide, and second, with consumer marketing such as the mileage award program to build loyalty.

Clearly, the drug trade is far less high-flying in this area, judging by the comments of some of the panelists:

Hal Chappelear, executive vp of Upjohn: "One of the first questions we hear on building collaborations is: How long is this going to last? Today there is more of a business focus on how we make agreements."

John Jennings, vp-marketing, Brooks: "The quality of sales calls affects our time to respond. . . . It amazes me how many account reps don't make use of available information to learn a chain's strategic direction."

Vern Brunner, executive vp-marketing of Walgreens: "One of our biggest challenges is how suppliers interpret their data and what they'll bring forward."

Bob Hannan, president of Thrift: "The old Field of Dreams program of building stores and customers will come is over. We must find niches, which vary from community to community . . .The customer is not the retailer. The customer is the consumer."

Retailers in other trade classes have entered high-level collaborations with Procter & Gamble, for instance. Among them: Wal-Mart, Smith Managementand A&P. This concept can be expanded in the drug class only if upstairs execs from both sides insist on such relations, peel away their adversarial facades and work to foster trust.

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Multi-packs grow despite flat battery market

Battery-gobbling equipment has fueled the high-ticket growth of multi-packs.

Battery sales reached a plateau in drug stores last year, but that didn't prevent merchandisers from heavily emphasizing this productive category.

A high percentage of battery sales are made on impulse. While chains chase these sales with secondary locations throughout their stores, many want to be even more aggressive. Thus they promote batteries constantly, seeking sales with average 25% margins on ad and 40% everyday.

Productive category

And those profits come in minimal space. According to Duracell, batteries yield $46.14 weekly gross profit per cubic foot, compared to $17.10 for film, $23.78 for front-end magazines, and $39.85 for razors and blades. Audio and video tape is one of the few categories that can top batteries in space productivity.

Industry sources say battery sales have slowed not just in drug stores but overall, and the reasons are simple. First, no significant new battery-using devices have emerged—as for example portable cassette players in the mid-1980's—and second, batteries are lasting longer; today's alkalines have a 20 percent to 50 percent longer life than the alkalines of just three years ago.

"Sales in drug stores flattened out, as have [sales in] food," says Eveready's Gary Baker, director of sales. "The chain drug store is having a hard time finding more space." Eveready's shrink-wrapped Space Pack and Family Packs, with one third the size of blister packs, can maximize space, and allow displays at the tight checkstand. Rayovac's shrink-wrapped Smart Pack has followed a similar philosophy.

Growth of multi-packs

Battery-gobbling equipment, led by audio devices, lighting products and toys, has fueled the high-ticket growth of multi-packs which consumers see as giving value and convenience.

"The key to driving battery sales at retail is the multi-pack," says Bruce Travis, Duracell's vp sales.

The multi-pack category grew more than 58 percent in the 12-month period ended June 1990, according to A.C. Nielsen research. Duracell said that four-packs of C's and D's grew 195 percent, as "AA" eight-packs grew 61 percent.

Tabs and coupon books

Phoenix-based RDS Drugs will develop a program using an everyday planogram of Eveready, Duracell and Rayovac, and will promote batteries in virtually every tab, as well as two coupon books, year-round, says Gene Bailey, director of merchandising.

"Our philosophy is to promote from within our basic departments," so most likely only those three vendors will be featured in promotions, said Bailey. Besides an eight-foot planogram and some end-stand planograms, the Rayovac Smart Pack—a value to consumers, said Bailey—might be featured at some checkstands.

Genovese Drugs on Long Island is testing Eveready's Space Pack and Family Packs in two stores where the chain has scanning. The items have posted positive movement, but base sales are hard to judge as the chain promotes batteries in every circular, alternating between Eveready and Duracell, said Lenny Genovese, buyer.

Begley in Knoxsville, Tenn., is another newly formed chain that has yet to build a sales track record. It's placing Energizers and Duracells at the front of the store near the checkout in four-sided freestanding racks or on a wall. Kodak batteries are paired with film, said Irv Martin, merchandiser.

Battery trade shares shift

Outlet	1990	1985
Discount	37	34
Food	29	25
Drug	14	18
Warehouse clubs	6	0
Hardware/home center	4	5
Others	10	18

Source: NFO Consumer Purchase Diary

Audio devices generate most battery use

(Why people buy batteries)

Item	1990	1985
Audio devices	26%	29%
Lighting products	16	20
Toys/games	14	18
Spares	16	3
Photo	7	9
Remote controls	5	1
Clock	3	4
Smoke detector	3	3
Calculator	2	5
Other	8	8

Source: NFO Consumer Purchase Diary

New items light up market

New products are a driving force in flashlight sales.

In the last 18 to 24 months, 40 percent of volume was done in new items, according to one industry source.

Eveready, Rayovac, Garrity and Duracell have been leading innovators for the mass merchant channel. Eveready restaged its lighting products line this year, with new products and packaging. New lights include a tilt-base work and auto lantern, an underwater light, a sport light and an outdoor area light/flashlight that works either as a regular beam or as a table area lamp. The area light/flashlight's SRP is $12.99. In April, Bartell Drug featured the light for $8.99.

The trend in flashlights this year will be European styling and jewel-tone colors, according to Kevin Garrity, Garrity Industries' vp-marketing.

Garrity is introducing the Hot Lite, which features a "swatch-type" motif, polka dots and jewel-tone color. The company is also introducing Power Lite multipacks from $4.99 to $9.99, and Life Lite, a model decorated with an American flag that Garrity provided to the Desert Storm operation.

Low-end plastic squeeze lights and personal lights have been successful in drug stores. Squeeze lights are even being put in trial size baskets as a unique merchandising slant.

Eveready's best-selling light is its plastic Economy flashlight with an SRP of $1.72. It's often sold at $1.19, $1.29; or with two on a card and four batteries and an SRP of $6.18.

Planograms in this category are are often in disarray, with multiple vendors offering similar lights, confusing the customer. Assortments have to be carefully planned and presented.

"You have to be conscious of your planogram, with good ads and off-the-shelf merchandising," says Gary Baker, director of sales, Eveready.

While low-end flashlights help spark volume, there is also room for drug chains to offer better-quality flashlights at higher price points. For example, persons who use flashlights on the job and serious hobbyists want durable lights with quality beams, says Gene Bailey, director of merchandising at RDS Drugs in Phoenix. Drug stores have an opportunity to promote high-lights at key seasons, such Father's Day and Christmas, he adds.

AAs sell the most

(% share of $3.1 billion retail sales; 12-months ended June, 1990)

Size	Percent share
AA	35.6%
D	15.7
Specialty	14.5
C	14.2
9V	14.2
AAA	5.8

Source: Duracell

Videotapes regain momentum as price-cutting slows

For years, two major trends have characterized the market for blank videocassette tape: steadily decreasing prices at both the supplier and retailer level due to furious competition; and flat sales growth in both units and dollars as the market matures, demand levels off and competition keeps prices down.

Now, both trends appear to have run their course. For one thing, the market regained its growth momentum last year—in unit sales, if not in revenues—by smashing through earlier projections for a flat year with an unexpected 18 percent jump in unit sales. According to the Electronic Industry Association's Consumer Electronics Group, factory shipments of blank videotapes hit 338 million units in 1990.

Recession boosts sales

Ironically, much of the unexpected jump in demand was due to the recession that kicked in in the second half of 1990. "The year finished much stronger than anyone had anticipated," said John Ziemba, national sales director for audio/video consumer products at BASF. "In a recessionary period, people spend much more time at home. When times get difficult, it's good for our business."

Ziemba also attributed the gains to a "spike in retail promotions" as retailers pushed lower-priced products like videotapes to pull people back into the stores in a cautious spending climate.

Continued price-cutting by manufacturers kept dollar gains nearly flat, however.

Nevertheless, the rampant price-cutting may also have finally have run its course. "I hope we're near the bottom," said Mike Golacinski, vp-consumer audio/video products for Maxell. "It's an extremely price-driven business, but the past couple of price cuts have been much smaller in terms of percentages."

Diminishing returns

Tape manufacturers polled by *Drug Store News* were unanimous that economies of scale, manufacturing/distribution efficiencies and other factors driving down prices to retailers had reached a point of diminishing returns.

"When I started in this business eight years ago, the cost [to dealers] of T-120 tape was around $9.20. Now it's about $2.70, and the downward pressure is still on," said Peter Dyke, marketing manager for TDK. "There comes a point where any efficiencies [the manufacturers] make don't translate any more to great cost savings."

Retail aspect

Suppliers complain they are being squeezed by cost pressures, but they readily admit the retail side of the videocassette business is no picnic, either. "The retailers want to make better margins, too, and you can't blame them," said one manufacturer. "Everybody complains about the margins, but drug store margins have remained fairly stable."

Drug chains now have roughly 10 percent of the total blank videotape market, according to one manufacturer's estimate, while discount chains retain a dominant 60 percent share. Supermarket chains are making gains, however, by going after customers already in their stores for other needs.

Drug chains, meanwhile, are getting more sophisticated about videotape merchandising and marketing. Chains like Pay Less NW, London Drugs, Phar-Mor and Bartell's are driving tape sales by pairing them in more creative ways with related products like audiotape, film and home electronics in full-fledged home entertainment sections. "They do well in this kind of setting," said Bartell president George D. Bartell.

Both food and drug chains are cashing in on a key demographic element: women now make up more than half of all blank videotape buyers.

Meanwhile, many drug chains are paring their selection of standard-grade tapes to fewer SKUs, but adding more high-grade and longer-playing tapes as niche and extra profit opportunities. Osco, Revco and Eckerd are three chains that have reportedly done well with T-130 and T-160 longer-playing videotapes.

A new survey conducted by 3M's Scotch brand division shows a definite trend among consumers toward higher quality tapes, which is good news for retailers. "Fifty-seven percent of those who responded told us they usually purchase premium grade videocassettes for consistent, high-quality video reproduction," said Dave Powell, divison vp for 3M's Consumer Video and Audio Products Division, which markets Scotch brand tapes.

TAPE PLAYERS
CASSETT
PHONOGRAPHS
TAPE RECORDERS
RADIOS

At a K&B store in Metarie, La., blank tapes are featured as part of highly visible audio department on the wall near the entrance.

Even with all the competition arising out of near-universal distribution of tapes, added TDK's Dyke, the business is still profitable. "Absolutely," he said. "We wouldn't see so many outlets carrying it if it didn't make money, and sophisticated drug chains are now offering higher-grade tapes on which there remain good margins."

The price-cutting by suppliers and retailers has also had at least one benefit. At this point, said Maxell's Golacinski, "The price has come down to the level that many consumers are buying on impulse, because even the everyday price is very attractive."

Added Brian Miller, consumer products marketing manager for Fuji Photo Film's Magnetic Products Division, "About fifty percent of blank video sales are now totally unplanned, impulse buys."

The price decreases have also boosted sales of higher-grade tapes, said Miller, because "they're no longer considered a big investment." That bodes well for drug chains that promote high-grade lines, says Miller and other suppliers, because margins tend to be higher for premium and longer-playing tapes than for standard-grade tapes, where discount stores continue to hold the lion's share of the market.

Blank videocassette unit sales surge in 1990, but dollar gains remain hard to come by

Year	Units* (millions)	Sales* (millions)
1987	273.8	$1,006
1988	296.9	936
1989	285.6	923
1990	338.0	948
1991**	334.0	924

*Factory sales to dealers, in units and dollars
**Revised projections; actual sales for 1990 revised upward from earlier projections.

Source: Electronic Industries Association, Consumer Electronics Group

Products/promos launched

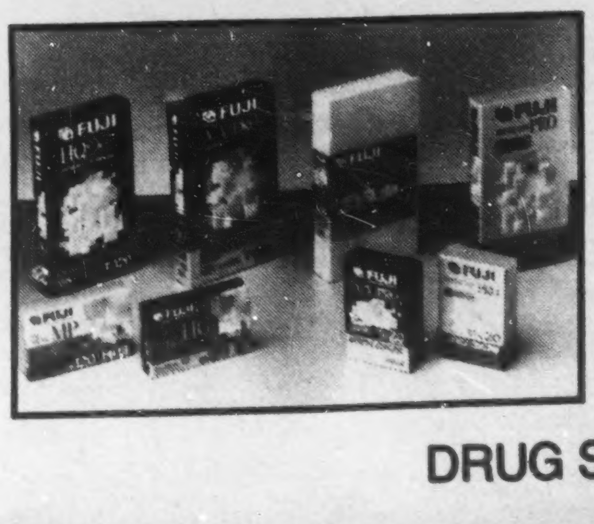
Scotch
Scotch
HEAD
CLEANING
3M

Here's a rundown of leading videocassette suppliers:

- 3M/Scotch has launched colorful, descriptive new packaging for its Scotch brand Head Cleaning Video Cassette which provides clear, easy-to-understand information on the purpose and use of the product.

Meanwhile, the company has been awarded exclusive sponsorship of the Children's Miracle Network Telethon for the video, audio and diskette product categories, and is offering a variety of video multipack promotions to help support children's hospitals. 3M/Scotch will make a donation to the network for each multipack purchased, up to $100,000.

- Fuji Photo Film U.S.A., Inc. offers the world's first line of double coated blank videocassettes. The technology features two separate layers of magnetic particles. The upper layer enhances mid- and high-frequency performance and the lower layer enhances low-frequency performance.



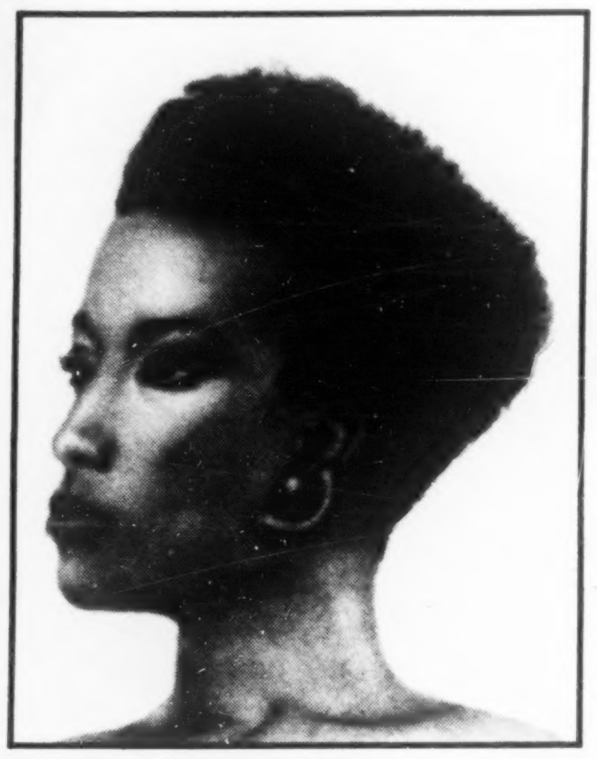
Included in the line: Fuji HQ; A/V Pro Super HG; A/V Master; Super VHS Pro; 8mm Metal MP Extraslim; Metal MP Super HG; and Hi8 Metal MP.

- BASF is rolling out a super high-grade version of its T-180 videotape, the longest-playing cassette available in the U.S. with nine hours of total playing time. Rounding out BASF's line of longer-play tapes are the T-130 with 6.5 hours of playing time; and the T-160, an eight-hour tape.

Also on tap for BASF: a T-120 videocassette for children. The standard-grade tape is marketed in a special package aimed at kids, with easy-to-follow illustrated instructions

Continued on page 19

Ethnic sales are stable despite moderate growth



Daniel Jackson **Age 17**

Anthony Johnson **Age 17**

By Elizabeth Parks

Ethnic, at the midway point of 1991, is generating single-digit sales growth at drug chains in most parts of the country. Buyers cite gains that range from flat to 5 percent—with some reporting high-volume ethnic stores up as much as 30 percent.

In California and parts of the Midwest, business is "sound and stable, but growth is flat to moderate," said Chuck Lewman, president of Paul's Sundries, Los Angeles.

At Eckerd, growth has stabilized after two solid growth years, a spokesperson said. The chain attributes the slowdown to the lack of exciting product launches. Growth may be rejuvenated, Eckerd execs said, by innovative products expected from Luster, launches in ethnic cosmetics and children's toiletries.

Double double digit

"We're doing very well with the category in ethnic neighborhood stores," Jim Harrison, Jr., president of Harco Drug, told *Drug Store News*. "We're getting double digit growth . . .by giving the category its due in the right neighborhood stores."

In New Orleans, both Jane Besthoff, who buys ethnic hair care for K&B, and Donna McManus, who buys ethnic cosmetics, report strong category growth. Besthoff cites merchandising changes as the big plus: "In the last year-and-a-half, we've gotten a better mix of product and our strengthened co-op advertising."

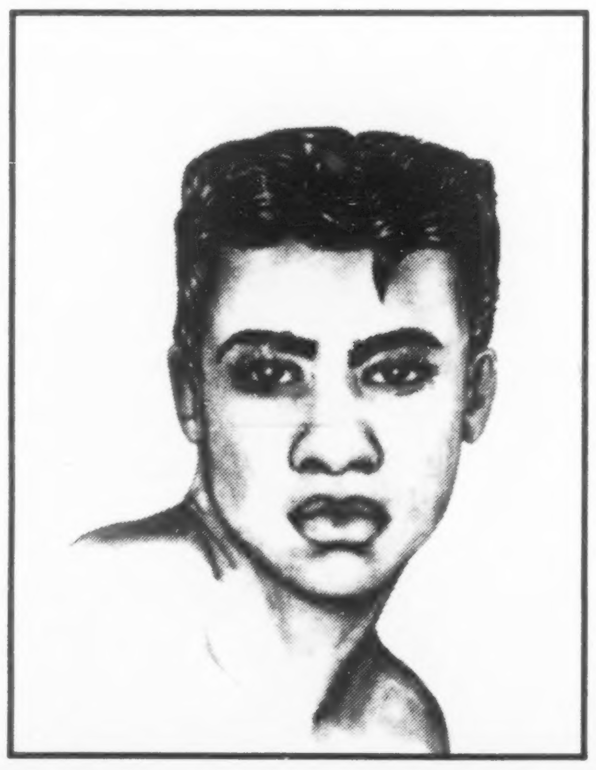
Mike O'Brien, who buys ethnic HBA for the Atlanta division of Harris Beauty Supply, based in Alexandria, Va., reported that 1990 category sales in its regions rose 8 percent to 10 percent, with much of the growth being driven by chains like Harco, Peoples, Kmart, Wal-Mart, Drug Emporium, K&B, Big B and Eckerd, all of whom are dedicated to this business.

Dan Medow, president of Standard Distributing, Detroit, also reports that business is growing "across all trade classes. At least one of our vendors is up 18 percent for the year."

Nielsen Marketing Research reports that for 1990, total ethnic hair care product sales through mass market outlets were down 0.5 percent, but the sharpest decline—12.6 percent—was registered in food stores.

Mass merchandisers, led by Kmart and Wal-Mart who are committed to the category, posted a 10.4 percent increase in ethnic. Drug chains, which account for 91 percent of all drug store ethnic hair care volume, rose 3 percent overall, Nielsen said.

All the illustrations on this page were drawn by student finalists in Perry Drug's Doo-It-Up contest.



Markus Spann **Age 16**

"Sales are up in the ethnic hair care category," said AHBAI executive director Geri Duncan Jones. "The relaxer category is doing well. Styling aids are doing well. The growth overall is moderate, but it is up."

More imagination

Jones thinks that mass retailers, particularly drug chains, could grow more by following the examples of dedicated chains like Perry and Walgreens, and taking a more imaginative, less restrictive approach to merchandising the category.

"The new baby lines coming out, for example, definitely have a place in the market. But some of the drug chains have such tight restrictions on space, they haven't moved fast enough to bring them in yet," she said.

Towne-Oller, which tracks ethnic and general market HBA sales through several trade classes—including drug chains and beauty and barber supply stores—reports that 17 percent of all the new items introduced in the ethnic market during the past five years are now in the Top 200 best-seller rankings. In comparison, only 7 percent of new HBA items introduced in the general market are in the Top 200.

To drive home the point, Towne-Oller also reports that new items launched within the past five years now account for 24 percent of all ethnic HBA sales.

What's new

Jones points out that ethnic consumers thrive on new items and are prone to look for stores that stock what's new: "The B&B stores, especially, are open to anything new. If they have it and no one else has it, they get the business.

"Many drug chains will wait a year or so before they put in new items like this," she adds. "By the time they do, consumers have gotten used to buying them somewhere else."

New items share of ethnic HBA sales

(Average of past 5 years)

New items	24.1%
Existing items	**75.9**

Source: Towne-Oller.

Ethnic hair preps dollar sales trends

(drug, discount and food stores)

Ethnic hair preps	1989 (millions)	1990 (millions)	% chng	% share of sales
Total all drug store sales	$168.4	$169.6	0.7	60%
Total chain drug store sales	150.3	154.9	3.0	54
Total food dollar sales	64.7	56.5	(12.6)	20
Total mass merchandise dollar sales	53.1	58.6	10.4	20
Total ethnic hair prep sales	296.2	284.7	(0.5)	100

Source: Nielsen Marketing Research

Lamarr Veal **Age 16**

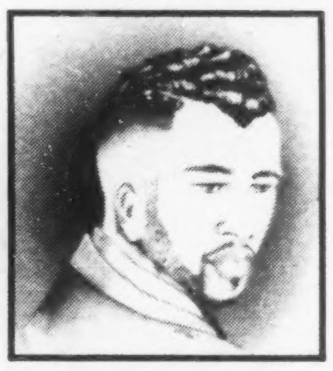
Mashavu Bell **Age 14**

Styling aids show growth across the board

The strongest growth in ethnic is being shown by: relaxer kits, spritzes, hot oils, gels, hair color kits, cosmetics, skin care and hosiery.

Over the past year-and-a-half, sales of hair relaxer kits, one of the biggest category segments, grew about 5 percent, led by the most heavily advertised brands: Carson's Dark & Lovely, Revlon and Gentle Treatment. Also included is Raveen, for its price/value positioning, say distributors Chuck Lewman, president of Paul's Sundries, Los Angeles, and Mike O'Brien of Harris Beauty Supply, Alexandria, Va.

Styling Aids/conditioners



De'Andre Glover
Age 17

Hair moisturizers, conditioners and styling/shine enhancers are growing in double digits, with almost every brand in these segments selling well.

"With hair styles getting longer and more people relaxing their hair, we're selling a lot more maintenance products," says Harris Beauty Supply's Mike O'Brien. He cited conditioners, sprays for sheen and hot oils as very popular categories now, led by the New Era Hot Oil, TCB Hot Oil and Luster's Pink Oil Moisturizer, especially the 12-oz. bonus pack that gives 50 percent more product for free.

The 4-oz. Let's Jam conditioning shining gel is among the top ten unit movers at many distributors—including No. 1 at Standard Distributing in Detroit and No. 6 in Paul's Sundries, Los Angeles.

Among newer items, Dan Medow at Standard reports that the New Era Spritz is quickly becoming one of his most demanded items. Isoplus Spritz is also selling well.

The 14-oz. bonus size TCB hair and scalp conditioner is a fast mover at Standard, as are Luster Oil moisturizers, TCB and Revlon Finisheen Oil Sheen sprays, Ampro's Protein & Styling Gel, Summit Pre Con Gel, Pro Line's Perm Repair Conditioner and Optimum Care's Nourishment Conditioner.

Curl maintenance products, such as the S Curl activators, the Right On Curl activators, Worlds of Curls gels and activators, and the Care Free Curl moisturizers and activators are also still in the top unit movement rankings at Standard, Paul's Sundries and Harris Beauty Supply..

In every region of the country, Carson's Magic Shave powders are also listed in Top 20 unit rankings, as are Strickland's Blue Magic Hair Dressing, Murray's Superior Hair Pomade, and LeKair's Cholesterol.

Castor oil is another growth niche in the maintenance category. Towne-Oller reports that the No. 1 brand in this segment is the All Ways Natural Enriched Castor Oil. Towne-Oller rankings also identify the All Ways Natural 911 Emergency Leave-In Conditioner, introduced last year, as one of the category's fastest growing new items.

According to Gary Yowell, vp-purchasing for Jack's Service in Oklahoma, many smaller manufacturers of styling and conditioning products, with relatively tight budgets, are using bonus packs, combinations and free samples to stimulate trial and usage. J.M. Products introduced Isoplus Spritz by giving away an 8-oz. bottle on-packed to Isoplus Oil Sheen, a proven top seller. The strategy worked: Isoplus Spritz and New Era Spritz are Yowell's two best sellers in the fast-growth segment.

Wrap lotions

U. Townsend
Age 17

For the past few seasons, buyers have been waiting to see how prevalent or influential the hair wrap style may become throughout the country.

They feel the jury is out on how hot this style will become, although they report that more women seem to be adopting the wrapped look. It is said to be less stressful to black hair than styles created from hot curls or chemical applications. They anticipate the introduction of more maintenance products.

Revlon's Roux Wrap 'N Tap, the first one out, is quite popular, said buyers. One described it as "one of the best new products."

Harris's O'Brien noted his company is "starting to get requests for wrap lotions. They've been coming in since early last fall, and it seems to be building."

J.M. Products is also launching a conditioning product for wrapped hair, Isoplus Wrap Lotion. Buyers expect it will "ride the coattails of the strong selling Isolus Spritz and Hot Oil" and do well.

Ethnic HBA new products

Brand Name	Manufacturer	Launch date by quarter	Comments
Almay Shaded Skin Care	Almay	3rd '91	Line Extension: New shades for ethnic skin, particularly black, Hispanic and Asian. 38 SKUs. Foundations, concealers, blush, powders. Hypo-allergenic.
Porcelana Fade Cream Original With Sunscreen	Dep Corp.	2nd '91	New print campaign plus select radio.
Black Radiance	Pavion	2nd '91	New "class for mass" line for black women. 68 SKUs. Face, lips, cheeks and eyes. $1.59 to $3.79
Tropez	Artmatic	1st '91	New value-priced/budget line for black, Hispanic and Asian women. 107 SKUs. Face, cheeks, eyes, lips and nails. 99 cents to $2.99
Shades of You	Maybelline	1st '91	New Ethnic Color line: 58 SKUs. 12 foundations, 18 lipsticks, concealers, powder blush, pressed powders, oil-free liquid makeups, oil-free souffle makeups. $3.35 to $5.50. $2.5 million ad support.
Baby Love Shampoo Conditioner Conditioning Detangler Moisturizing Creme Hairdress	Soft Sheen	1st '91	Hair care for black children. Gentle and effective. Targeted to children under 6.
Waterless Shave	Romay Products	1st '91	Shaving lotion made with vitamins that condition the skin. SRP $6.00. Formulated to solve the problem of in-grown hair and bumps.
All Ways Natural 911 Strengthening Finishing Mist	All Ways Natural	1st '91	Line Extension. Strengthens while adding shine.

Source: *Drug Store News Survey*

Ethnic categories continue to grow in fair market

Shampoos

Maurice Peeples
Age 18

Walter Johnson
Age 17

In the ethnic product category, price/value is another key barometer of a successful launch. Buyers report that the reason Soft Sheen's Optimum Care shampoo has sold so well is because consumers consider it to be a good product at a good price.

Until Soft Sheen launched Optimum Care, most shampoos in the ethnic category were packaged in 8-oz. containers, but were priced comparable to 16-oz. general market lines. Soft Sheen, buyers say, was the first to launch a 16-oz. shampoo made for ethnic hair types at a competitive price.

For some of our sources, that line has doubled in sales during the past six to nine months. The relatively new Bodi shampoo from Worlds of Curls is also starting to pick up good momentum, some buyers report.

Skin care

Markus Spann
Age 16

Skin care may not be a high-volume segment, but it performs consistently. Ambi, Dep's Porcelana Fade Cream, and Dr. Palmer's skin lotions, in particular, sell well, distributors report.

Most of the skin care products available in ethnic are HBA, a fact that has convinced some buyers there is a need for a more upscale franchised skin care line suited to black women.

"We've been asking for a skin treatment line for a long time now," said K&B's cosmetic buyer Donna McManus. "Nobody is offering a quality skin care line for black women in our trade class. That leaves a void we need to fill."

However, other sources say they're not totally convinced there is a need for such a specialty line. "The main problem with ethnic skin is uneven tone," said one chain drug buyer. "The tone can be uneven, too light or too dark. So there is a real need for brighteners and lighteners. But for all other moisturizing needs, brands like Noxzema, Neutrogena, Plenitude or [Oil of] Olay work just as well on black skin as they do on white."

Hosiery

Hosiery sales continue to rise, with sources citing Afrotique and Black Sugar as their best lines.

Lewman reports hosiery sales in some of Paul's Sundries chains are up 20 to 25 percent year-to-date, with some food stores grossing more than $1,000 a week in the segment. He said Satin Doll is a good seller in his markets.

All the illustrations on this page were drawn by student finalists in Perry Drug's Doo-It-Up contest.

Hair color

Leo Rosser
Age 16

Hair color is a bright spot in ethnic this year, generating double digit growth, most trade sources report.

In the west, Paul's Sundries overall business is flat, but hair color sales are jumping 20 percent.

Adds O'Brien: "It may be because the Baby Boom generation is getting into their 40s now, and for the most part, these are people very conscious about their looks. Carson's Dark & Lovely is unquestionably the leader, but Creme of Nature is selling well too."

Dark & Lovely

All sources reported that Dark & Lovely continues to dominate the segment, with some buyers reporting unit sales gains as high as 50 percent over the past six months.

The best selling shade: honey blonde.

For the first time, buyers say men's hair color products are also on the upswing. Several sources said that Just For Men has a new ethnic package that is boosting that single SKU. They expect Dark 'N Lovely to launch its first men's color line later this year.

Worrying about gray hair

"Black men are a big market for color," says Chuck Lewman of Paul's Sundries. "They worry a lot about gray hair. They use their wives' products now, but they need a national product of their own."

In Detroit, Medow says he's seen strong sales of High Beams, a temporary hair color line made by Continental Fragrances of this city. "It started as a salon line, and it's been coming on strong for the past year," he noted.

Best sellers in the Midwest

Top 15 Ethnic Categories

Category	Top items
Hair & Scalp Conditioners	Let's Jam Conditioning/Shining Gel. TCB Hair & Scalp Conditioner, 8 oz. plus bonus 6 oz. free
Relaxers	Dark & Lovely Creme Relaxer Regular. Dark & Lovely Creme Relaxer Plus.
Curl Maintenance-Activators	Right On Curl Activator 8 oz. Care Free Curl Gold Activator 8 oz.
Makeup	Posner Pressed Powder Nut Brown. Posner Pressed Powder Golden Bronze.
Curl Maintenance-Gels	Care Free Curl Lite Gel Activator 11.5 oz. Leisure Curl Activator Gel 8 oz.
Curl Maintenance-Moisturizers	Care Free Curl Moisturizer 8 oz. Care Free Curl Moisturizer 16 oz.
Hair Coloring	Dark & Lovely Honey Blonde Dark & Lovely Jet Black
Curl & Waves Kits	Duke Curl & Wave Texturizer Kit. S Curl Kit Regular.
Conditioners-Oil Moisturizer	Luster Oil Moisturizer 8 oz. Luster Oil Moisturizer 12 oz.
Oil Sheen Sprays	TCB Oil Sheen Spray 9.5 oz. Revlon Finisheen Oil Sheen Spray 13 oz.
Skin Tone Cremes	Dr. Fred Palmer Skin Whitener 2 oz. Ambi Cream—Oily Skin 2 oz.
Shampoos	Optimum Care Collagen Shampoo 16 oz. Creme of Nature Shampoo Reg. 8 oz.
Conditioners-Creme Hairdress	Pro Line Perm Repair 2 oz. Optimum Care Nourishment 4 oz.
Men's Shaving Products	Magic Shaving Powder/Gold 4.5 oz. Magic Shaving Powder/Blue 5 oz.
Styling Gels	Ampro Protein & Styling Gel 4 oz. Summit Pre Con Gel 4 oz.

Source: Standard Distributing, Inc., Detroit, Mich.

Top 10 items by units

In the Midwest

Rank	Brand
1.	Let's Jam Conditioning/shining gel 4 oz.
2.	Magic Shaving Powder Gold 4.5 oz.
3.	Magic Shaving Powder/Blue 5 oz.
4.	Ampro Protein & Styling Gel 4 oz.
5.	Luster Oil Moisturizer 8 oz.
6.	Dark & Lovely Creme Relaxer Reg.
7.	TCB Hair & Scalp Conditioner Bonus
8.	Dark & Lovely Creme Relaxer Plus
9.	Magic Shaving Powder/Red 5 oz.
10.	S Curl Activator 8 oz.

Source: Standard Distributing, Inc., Detroit, Mich.

Top 10 items by dollars

In the Midwest

Rank	Brand
1.	Let's Jam Conditioning/shining gel 4 oz.
2.	Dark & Lovely Creme Relaxer Reg.
3.	Dark & Lovely Creme Relaxer Plus
4.	Gentle Treatment Relaxer Plus
5.	Care Free Curl Moisturizer 16 oz.
6.	Luster Oil Moisturizer 8 oz.
7.	Duke Wave & Curl Texturizer Kit
8.	S Curl Kit Regular
9.	Excelle Creme Relaxer Regular
10.	TCB Hair & Scalp Conditioner Bonus

Source: Standard Distributing, Inc., Detroit, Mich.

Chains create programs to increase ethnic sales

Many drug chains are attempting to increase ethnic sales through stronger advertising and merchandising programs. Some chains are thinking of ethnic products as a category that needs momentum for growth to materialize. More aggressive operators are learning that community service programs, designed to benefit the black community, are one of the best ways to cultivate loyalty and build momentum.

Perry winners do it right

The 11 high school students who won this year's Perry Drug Doo-It-Up contest receive their awards. On their left is Wm. Juan Roberts of Doo-It-Up, on the right, Scott Gorley of Perry.

Perry program rewards and reaches out

When Perry Drug created Doo-It-Up two years ago, it became the first drug chain to create a consistent African-American advertising campaign themed to community service.

Perry itself sees it as a milestone because it marked the beginning of its outreach to the African-American community, said assistant vp-merchandising Scott Gorley.

For Doo-It-Up, Perry stages an annual art procurement contest among Detroit high school students. Twelve winners each get a $1,000 prize. The contest kicks off in August with a back-to-school promotion and ends in December, when award presentations are made.

Name brand products and manufacturers like Revlon, Posner and Carson are part of the program, sometimes as co-sponsors and sometimes through regular co-op advertising only. Brand name products at special sale prices are featured during the course of the program, but the primary emphasis of Doo-It-Up is on Perry's efforts to reward the accomplishments of talented black students.

Doo-It-Up also gives Perry continuity with the black community because it never really ends. The company uses the drawings and biographies of the award-winning students to enliven advertising for every promotion over the coming year.

The community reaction to the program has been so positive that the Detroit city council, the Michigan state senate and several other community agencies and leaders have developed awards of their own to honor Perry executives, as well as the honored students.

Gorley notes that for 1992, Perry has dozens of civic organizations that want to get involved in Doo-It-Up and make it bigger. For last year's Doo-It-Up, three times as many schools were involved as in the previous year.

One source described community service campaigns like Doo-It-Up as "the next level beyond price/value advertising." It includes price-/value, he said, because black customers want to see brand name products advertised at good sale prices, but it makes price/ value a secondary benefit. The primary benefactor is the campaign sponsor, who earns goodwill by putting something back into the community.

The **only** cold sore treatment
with **sunscreens. SPF=10**
HERPECIN-L®
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Community service key to chain promotions

'We want to be involved in all the communities where we *[Eckerd]* have stores. We think we should be giving back to the communities.'

Walgreens/AHBAI

Walgreens, a chain founded on the south side of Chicago, has "always believed in giving back to the community," a spokesperson said, though it is low-key and doesn't promote its community service the way Perry does.

For Black History Month earlier this year, Walgreens teamed up with the American Health and Beauty Aids Institute (AHBAI) in a community service promotion designed to raise money for the United Negro College Fund. Together, Walgreens, AHBAI and its members and suppliers donated $50,000 to UNCF.

The Walgreens source said the company didn't do any "special advertising" or anything on a par with Doo-It-Up, but ethnic neighborhood stores did advertise the featured items in black newspapers across the chain's 19 highest volume ethnic neighborhood markets.

Geri Duncan Jones, AHBAI executive director, described the promotion which ran from Jan. 15 through the end of February as "extremely successful." She said AHBAI will probably repeat it, possibly with regional chains as well as national chains like Walgreens. Each chain, however, will have an exclusive on the promotion in their markets.

AHBAI
THE PROUD LADY
Walgreens
Unite to Benefit
UNCF

Walgreen executives (left to right): Rich Robinson, buyer; Vern Brunner, exec. vp-marketing; Charles Walgreen III join Jory Luster, AHBAI chairman, and Geri Duncan Jones, exec. director to launch a promotion that will donate $50,000 to the United Negro College Fund.

"The idea came from our chairman, Jory Luster, who's always been concerned about how we can give back to the community. To be able to work with a retail partner like Walgreens made the promotion even better," she said.

Kmart's Send A Kid To Camp

Kmart has also pioneered the art of community service promotions. About four years ago, the chain created a Send a Kid to Camp campaign, which breaks in the spring in its Atlanta region.

For each purchase of advertised feature items, Kmart and participating vendors donate 25 cents to the YMCA and YWCA Camp Fund. So far, their contributions have sent over 200 underprivileged children to camp for two weeks.

Kmart, which has always been involved in community service programs, views such events "as a way to give something back to the community." This year, the chain will expand the program to stores in the Washington, D.C. market, a source said.

One sign of loyalty, perhaps: year-to-date sales of ethnic products are up about 10 percent.

Eckerd's Share the Dream

Eckerd Drug advertised on black radio stations in Atlanta to support a new community service promotion that the chain's district co-sponsored with the Coca-Cola Atlanta Bottling Company.

"Share the Dream" was staged in February for Black History Month. The grand prize winner received a $10,000 college scholarship.

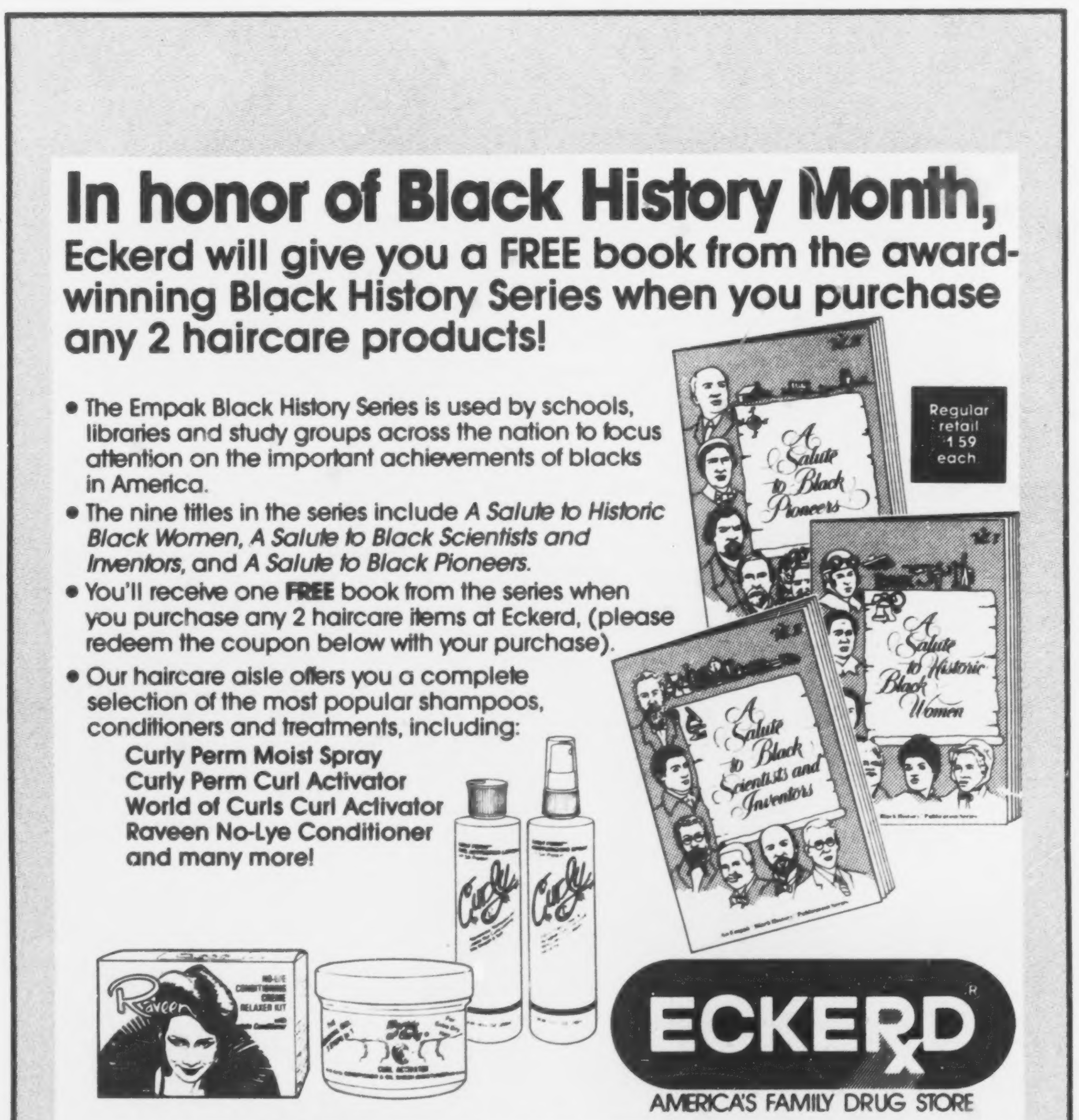
An Eckerd source called the promotion successful, and noted the chain is looking for other ways to get involved with the community. "We want to be involved in all the communities where we have stores. We think we should be giving back to the communities where we do business."

Peoples/UNCF

For the third straight year, Peoples has sponsored a telethon for the United Negro College Fund in Washington, D.C. Last year's tally: $20,000 for UNCF.

One source said the chain's ethnic HBA sales in the past year have "grown a phenomenal 35 percent." Some other factors: a new ethnic planogram, a new competitive pricing structure, and a commitment to aggressive advertising in both print and black radio.

One Peoples' source said the chain's ethnic HBA sales in the past year have 'grown a phenomenal 35 percent.'



In honor of Black History Month,
Eckerd will give you a FREE book from the award-winning Black History Series when you purchase any 2 haircare products!

- The Empak Black History Series is used by schools, libraries and study groups across the nation to focus attention on the important achievements of blacks in America.
- The nine titles in the series include *A Salute to Historic Black Women, A Salute to Black Scientists and Inventors*, and *A Salute to Black Pioneers.*
- You'll receive one **FREE** book from the series when you purchase any 2 haircare items at Eckerd, (please redeem the coupon below with your purchase).
- Our haircare aisle offers you a complete selection of the most popular shampoos, conditioners and treatments, including:
  - Curly Perm Moist Spray
  - Curly Perm Curl Activator
  - World of Curls Curl Activator
  - Raveen No-Lye Conditioner
  - and many more!

Regular retail 1.59 each

ECKERD
AMERICA'S FAMILY DRUG STORE

FREE
One book from the Empak Black History Series
when you redeem this coupon with your purchase of any two haircare products at Eckerd. Coupon good through 2/28/91, or while quantities last.
Coupon must accompany purchase, and is redeemable only at Eckerd Drug stores.
ECKERD

A Salute to Black Pioneers
A Salute to Historic Black Women
A Salute to Black Scientists and Inventors
Raveen
Curly

Black beauty care products were featured throughout Eckerd's March 6 to March 19 in-store flyer, which was distributed chainwide—not just in ethnic neighborhood stores.

Great savings for your individual style.

3.87
2.97
4.77
2.87
97¢
2.77
2.77
2.27

Kmart's four-color ads in black fashion magazines focus on price/value savings. Top selling brand name products are featured as Kmart's "great savings for your individual style."

Varied, easy-to-create hairstyles are most in demand

Although no single hair care style is sweeping the black community, relaxed hair is still very popular. And, some knowledgeable sources say the wrap look, which starts out with relaxed hair, is becoming more popular throughout the nation.

"In hair fashion, the popular styles today are all based on what's easy to create and maintain, and what's healthy and good for the hair," says Mikki Garth-Taylor, beauty and cover editor for *Essence*.

Garth-Taylor says the wrap is becoming more popular because it's easy to style and it's healthy for the hair. "Black hair is so very fragile," she said. "Hair is especially vulnerable when it's over-processed, relaxed or colored."

The wrap is created by wrapping the hair around the head, setting it with a lotion, tying it with a scarf and brushing it out.

In her sojourns for *Essence*, Garth-Taylor says she is seeing a wide variety of new styles that don't "stretch, stiffen or elongate the hair beyond its natural capacity."

Photo credit: Essence/Kaz Chiba

Modern versions of "culturally inspired styles and techniques"—corkscrews, twists, Senegalese twists and coils—are the latest in styling trends, says *Essence*.

> *The wrap is becoming more popular because it's easy to style and it's healthy for the hair.*

She adds that textured hair is also very popular. "Styles today are based on a variety of textures, whether they're put in or natural," she says. "You see a lot of free style bobs. Women are wearing braids that may be twisted into the hair and then taken out to create a wrinkled look. Corkscrews and puffy twists or double-strand twists are popular."

She said a lot of today's styles are based on African heritage-inspired techniques: braids, coifs and twists translated into modern shapes.

For both men and women, short cuts are still in. The style is to keep the short cut "scissor-fresh," Garth-Taylor says, with mandatory trips to the barber or salon every three weeks or so.

"Women are wearing a lot of caught-up hair styles that can be shaped and pinned rather than just curled or blown dry. Many like the sculptured look of the French knot or twist," she said.

Women, she added, are also refusing to suffer to maintain their looks. "Women are concerned first with their hair's health. Everything else falls under that."

Because black hair is fragile and vulnerable to dryness and brittleness, Garth-Taylor says it is essential for both women and men to use conditioning products that replenish the moisture in the hair.

That same concern with healthy hair styles is also causing men and women to question the products used on their children's hair. In its August issue, *Essence* is publishing a feature on how to care for the hair of black children.

Again, Garth-Taylor says the operative principle is "restful hair, styles and products that won't stress the hair, weigh it down or make it break. The right choice of hair accessories is important, as is the right choice for shampooing and conditioning products.

"The market is absolutely there for children's hair care lines," she adds. "A lot of children as young as five, six and seven are losing their hair because of stressful styles and handling. To prevent damage at that young an age, we have to inform mothers about what's good for their hair."

As for men, many sport the geometric cuts, with curly perms still popular and a lot more men wearing dreadlocks. Dreadlocks are long and tubular, but whether hair is long or short, Garth-Taylor says it is essential to use conditioners and moisturizers to keep it healthy.

Consequently, men and women are buying a lot of oils, gels, hair sprays, and other maintenance products that lubricate the hair, retain moisture, add sheen, give control and make hair easier to style.

Photo credit: Essence/Marili Forastieri

Models in black fashion magazines are wearing multi-row twists formed into a French braid and tucked under with hair ornaments.

> *Short cuts are still [popular]. The style is to keep the cut "scissor-fresh."*

Photo credit: Essence/Kaz Chiba

Today's braids are long, intricate and very stylish. Says *Essence*: they demonstrate the "traditional arts of the plait, the underbraid, and the cornrow."

Facial and lip makeups are the focus of new ethnic lines

The ethnic cosmetic lines now being introduced by Maybelline, Almay and Simply Satin are primarily facial and lip makeups especially formulated for black skin.

Maybelline is launching a 58-SKU line with products for face and lip, the two areas where specialty formulas are most needed.

Robert N. Hiatt, president and ceo of Maybelline, describes Shades of You "as a completely new and unique collection, designed especially for women of color." None of the shades duplicate colors already available in the existing Maybelline line for general market customers.

The formulations for Shades of You use less titanium dioxide and a heavier pigment load of select blends of red, yellow, blue and black to eliminate the usual problem of a chalky look while providing colors that on black skin are "truer, deeper and richer."

Maybelline executives say that nail color and eye makeups haven't been included in the line because these needs are met by the existing Maybelline line. However the company says it is keeping its options open, and possibly in the future, it may expand Shades of You into a complete line of ethnic cosmetics.

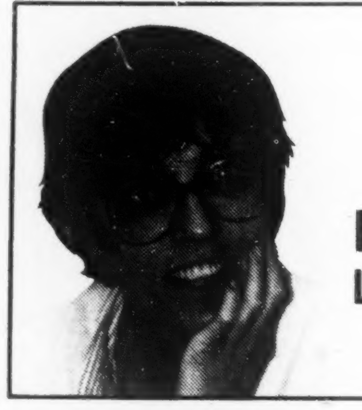
Maybelline adds that their eye makeups are currently the number one selling brand among black women. An extensive sampling program and print ads are supporting the launch of Shades of You and the suggested retails are moderate, ranging from $3.35 to $5.50.

Almay's new line won't be out until the third or fourth quarter of this year, but buyers think this launch will add more excitement to the category.

Unlike Maybelline, Almay hasn't given their ethnic line a special name. Although it is formulated specifically for women of color and its shade ranges will be targeted to darker skinned women, it will be packaged and presented as an expansion of the Almay line that has been especially formulated to provide the optimum product forms, formulations and shades for the ethnic market.

There will be a special grid on the package to indicate that these particular products are specially formulated for darker complexions, but at press time Almay hadn't fully decided on what wording they would use in the band that will go on the package.

There are 38 SKUs in the line—all facial products. They will be priced the same as their companion products in the Almay line.



BEAUTY BEAT
LIZ PARKS

Almay plans to support the launch with print ads and possibly some radio.

They hope to back the launch with support from the professional community and public relations endorsements. Plus, management plans to expand its professional marketing programs to emphasize support from black and Hispanic dermatologists and skin care specialists.

Worlds of Curls' Simply Satin Cosmetics line, which launched last year, is still in limited distribution, but it's another line that ethnic cosmetic buyers are considering for possible additions to their planograms.

Simply Satin, a 67-SKU line, has formulas that address the specific needs of black and Hispanic women. SRPs range from $1.99 to $8.50.

Simply Satin is positioned as a "wide variety of fashionable shades designed to enhance today's appearance-conscious women." Management says the formulas are suitable for all skin types, while the pricing is moderate. SRPs range from $1.99 for the eye line pencils to $8.50 for the creme foundations. The line is being supported with print, outdoor ads, radio, sampling and coupons.

The industry's two leading budget cosmetic companies are both launching new lines of ethnic cosmetics: the new Tropez line from Artmatic and Black Radiance from Pavion.

Tropez is a full-budget ethnic color line with face makeups, concealers, blushes, as well as the traditional lip, nail and eye color items.

In a variety store chain's test, a source said Tropez did over $300,000 in three months. It is now in about 600 of this chain's stores. There are 107 SKUs in the line priced between 99 cents and $2.99. The average retails, however, are between $1.69 and $1.99

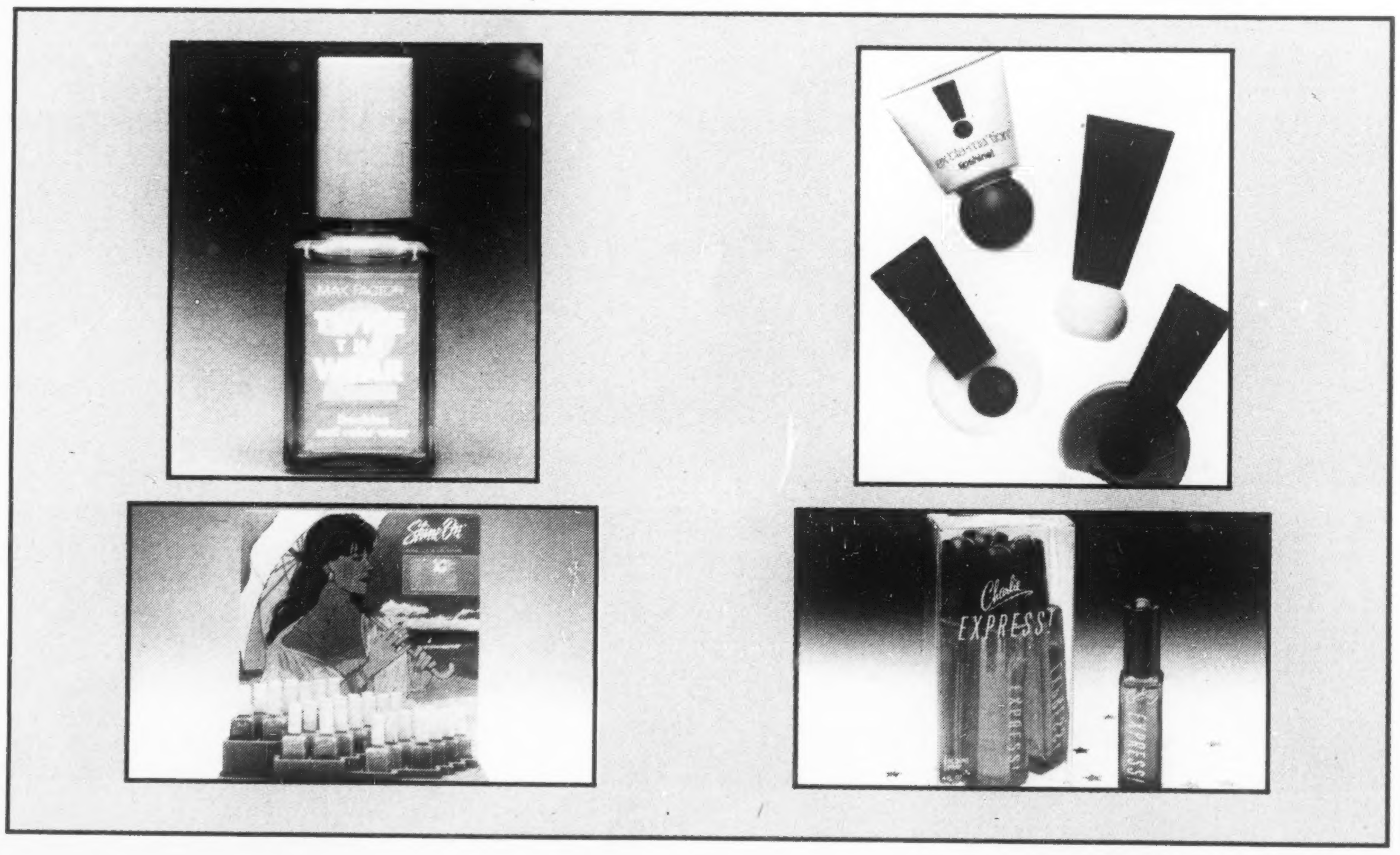
Black Radiance is a 68-SKU line formulated to offer the quality and selection of department store products at affordable price points. It is not positioned as a budget line, but as a "class for mass" line. The color palette for face, lips, cheeks and eyes is vibrant and intense. Suggested retails range from $1.59 to $3.79. Pavion says the color range can satisfy 33 shades of skin types.

* * *

Almay execs say there are a number of reasons why they are now introducing a shaded skin care line. They explain that ethnic consumers spend three times more per capita on beauty products than general market consumers, an estimated $500 per person annually.

Sales of HBA products to ethnic consumers are projected to reach $3 billion this year, up 76.5 percent in the past eight years.

Maybelline says research shows that while black women currently spend $600 million or more on cosmetics, many remain dissatisfied with the quality and range available at the mass market level.



Nail Care

Twice the Wear is a protective polymer sealer for nails. It at least doubles the life of nail color wear and adds shine and a salon-like finish. The consumer applies one thin coat of the sealer over two coats of color, then touches up with the sealer every other day.

It dries quickly and smoothly and is easily removed. It protects against color fading, chipping, tipping and peeling and it is detergent resistant.

Available in July, it will be sold in a 3.5-ounce bottle with an SRP of $6.50.

Max Factor & Co., Revlon, Inc., 12100 Wilshire Blvd., Los Angeles, Calif. 90025. (213) 442-2000.

* * *

Cutex has blended sunscreen, color and coconut oil in a new shade collection entitled, Sheer Protection by Shine On Lasting Color Nail Enamel.

The transparent pastel color washes contain the scent of coconut oil and protective sunscreens so manicures will not fade or discolor from the sun.

The line comes in six shades: Almost Mauve, Sheerly Pink, In The Buff, Bare Rose, Pale Peach and Hint of Lilac.

Cutex, Chesebrough Pond's, 33 Benedict Pl., Greenwich, Conn. 06830. (203) 661-2000.

Cosmetics

Revlon's Billion Dollar Bronzes is a line of colors for the face, eyes, lips and nails.

For the face, Medium Bronze, a tri-tonal palette of matallics, is the color for Micro-Gems Solid highlighting powder.

For the eyes, the Overtone shadow line has Billion Dollar Bronzes—four hues from deep gray bronze to soft copper rose—and the Waterproof Eye Shaper in onyx.

For the lips and nails, Super Lustrous lipstick and Crystalline nail enamel's four shades are Highbeam Rose, Tan, Copper and Bronze. The colors range from copper rose to metallic bronze.

SRPs are: $7.50 for the highlighting powder; $4.95 for the shadow; $3.95 for the eye shaper; $5.25 for the lipstick; and $3.65 for the nail enamel.

Revlon, Inc., 625 Madison Av., New York, N.Y. 10022. (212) 527-4000.

* * *

Coty introduces !exćla ma´tion Color, a line of lipcolors, lipshines and nailcolors, all with varying shades of pink.

For lipcolor!, the creamy, moisture-rich formula's shades include pinkaboo!, pinklamation! and pinkredible!, each with an SRP of $4.95. Lipshine! is a sheer, high shine gloss, and the color is called pink a go go!, carrying an SRP of $3.95. Nailcolor! the long-wearing, mirror-like finish polishes, carry the same color names as those for lipcolor!, and have an SRP of $3.95.

All will be sold in a promotional display with !exćla ma´tion Cologne Spray in the .375-ounce bottle (SRP $3.95).

Coty, Div. of Pfizer, Inc., 235 E. 42nd St., New York, N.Y. 10017. (212) 573-2730.

Compacts

The Alloyd Company has made a two-piece, radio frequency sealed clamshell package for Revlon's "Face Up to the '90s" relaunch of powders, blushes and makeup.

The new packaging eliminates outer cartons on all compacts, and it encases the product in transparent plastic, allowing for easy color, texture and applicator selection. Consumers can open the package quickly by bending the scored top forward and pulling the back flap down, ultimately removing the entire back panel, and reducing the risk of dropping or breaking the product.

The package features enhanced point-of-sale visibility for all compacts.

Alloyd Co. Inc., 1401 Pleasant St., P.O. Box 627, DeKalb, Ill. 60115-0627. (815) 756-8451.

Fragrances

Charlie Express!, from Revlon, is an updated version of the classic Charlie. Fragrant florals—osmanthus, ylang, rose, amaryllis and jasmine—are combined with cassis, green and amber notes.

The rectangular-shaped blue glass bottle with a violet and blue cap are packaged in a clear carton with silver mylar lining to create a mirrored effect.

SRP for the .5-ounce is $9.95, and for the 1-ounce is $14.

Revlon, Inc., 625 Madison Av., New York, N.Y. 10022. (212) 527-4000.

McK posts new highs for 4th quarter, year

SAN FRANCISCO — Gains by its drug distribution and PCS managed prescription care businesses helped McKesson Corp. post new highs for the fourth quarter and fiscal year ended March 31.

Corporate revenues for the quarter were $2.17 billion, up 4 percent from the $2.09 billion reported in the year-ago period. Earnings from continuing operations gained 49 percent for the quarter, to $27.2 million from $18.3 million reported in fourth-quarter 1990, which was adversely affected by a $20 million pretax provision for doubtful accounts receivable.

Net income for the quarter and fiscal 1991 reflected a loss from discontinued operations of $4.6 million. The loss included a previously announced settlement of litigation brought against McKesson by CPC International, arising from the 1983 sale of the C.F. Mueller Co. to CPC. Quarterly net income, after reflecting the loss in discontinued operations, rose 23 percent, to $22.6 million from $18.3 million.

For the year, revenues wereup 8 percent, to $8.42 billion from $7.79 billion, and income from continuing operations gained 7 percent, to $105.3 million from $98.7 million. Net income was $100.7 million, up 2 percent from $98.7 million.

Drug distribution revenues for the fourth quarter increased 6 percent, to $1.85 billion, and operating profits jumped 56 percent, to $42 million. Fourth-quarter results of the prior year included a $16 million provision for doubtful accounts. For the year, drug distribution revenues were up 10 percent, to $7.10 billion, and operating profit gained 18 percent, to $162.4 million.

Excluding bulk sales to chains and the prior-year writedown, pharmaceutical distribution operating margins for the fourth quarter and year were both 3.01 percent, versus 3.33 percent and 3.16 percent respectively, in the year-earlier periods.

Fiscal 1991 margins were affected by a substantial increase in data processing expenses relating to implementing McKesson Drug's new Econolink system for hospitals, as well as systems developed to supported independents and chains, the company said.

PCS revenues were also up for the quarter and year. Quarterly revenues rose 17 percent, to $27 million, and year-end revenues were up 16 percent, to $95.5 million, excluding sales of a unit sold in February 1990. Operating profit for the quarter gained 30 percent, to $7.3 million and, for the year, 126 percent, to $24.8 million.

Safeway offers 17.5M shares; income increases 78 percent

OAKLAND, Calif. — Safeway said it has offered 17.5 million shares of common stock at $20.50 per share, the net proceeds of which will be used to help fund its previously announced $3.2 billion five-year capital expenditure plan.

The offering is being handled by a syndicate of underwriters led by Goldman, Sachs; Merrill Lynch; and Morgan Stanley.

Safeway also reported its results for the first quarter ended March 23. Net income rose 78 percent, to $26.7 million, or 26 cents per share, from $15 million, or 17 cents per share in the year-earlier period.

Sales were $3.4 billion, up 1.9 percent from the period in 1990. Same-store sales gained 0.7 percent for the quarter.

O&M sales and earnings increase for first quarter

RICHMOND, Va. — Owens & Minor posted gains in sales and earnings for first-quarter 1991 ended March 31.

Sales were $312.96 million, compared with $292.56 million in the comparable period a year ago. Net income was $2.3 million, or 27 cents per share, versus $1.5 million, or 18 cents per share, in the year-earlier quarter.

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Vol. 13, No. 10 May 20, 1991

MARKET DIARY:

Largest Dollar Gainer	Merck Co	$ 4.00
Largest Dollar Loser	Great Atlantic & Pacific Tea	$ − 8.25
Largest Percentage Gainer	Halsey Drug	29.41%
Largest Percentage Loser	Great Atlantic & Pacific Tea	−15.79%

Advances	16
Declines	40
Unchanged	2
New highs	17
New lows	0

	Close 4/18/91	Close 5/7/91	Net Change	Percent Change
Drug Store News Index	4253.73	4111.56	−142.17	−3.34
Dow Jones Industrial Average	2999.26	2917.49	− 81.77	−2.73
Standard & Poor's 500-Stock Index	388.46	377.32	− 11.14	−2.87
N.Y.S.E. Composite	212.26	206.65	− 5.61	−2.64
Value Line Index	245.95	239.79	− 6.16	−2.50

Source: Nordby International Inc., Boulder, Colo.

Exch	Company	Ticker Symbol	Closing Price 4/18/91	Closing Price 5/7/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.63	6.75	0.13	1.89	26	0.00	0.00	7.56	4.50
OTC	Arbor Drugs	ARBR	26.50	24.25	−2.25	− 8.49	20	0.20	0.82	29.75	13.25
OTC	Big B	BIGB	12.75	12.75	0.00	0.00	− 67	0.00	0.00	13.63	4.75
OTC	Drug Emporium	DEMP	9.00	7.75	−1.25	−13.89	12	0.12	1.55	11.00	6.63
NYS	Fay's Inc. (H)	FAY	14.63	14.13	−0.50	− 3.42	17	0.20	1.42	15.75	7.25
ASE	Genovese Drug (H)	GDX.A	10.63	11.13	0.50	4.71	13	0.24	2.16	11.38	5.50
NYS	Longs Drug Stores	LDG	40.88	42.75	1.88	4.59	15	1.04	2.43	43.63	30.88
OTC	Medicine Shoppe (H)	MSII	26.13	24.13	−2.00	− 7.66	20	0.24	0.99	28.75	15.50
NYS	Perry Drug	PDS	7.00	6.13	−0.88	−12.50	− 61	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp.	RAD	46.63	42.50	−4.13	− 8.85	16	1.00	2.35	47.75	29.50
NYS	Walgreen Co.	WAG	35.00	32.38	−2.63	− 7.50	22	0.44	1.36	35.88	21.13
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	31.13	27.00	−4.13	−13.25	14	0.40	1.48	32.75	21.38
OTC	Bindley Western Ind.	BIND	16.75	17.75	1.00	5.97	17	0.04	0.23	17.88	8.63
OTC	Cardinal Distribution (H)	CDIC	37.88	36.00	−1.88	− 4.95	30	0.08	0.22	39.75	18.25
OTC	Durr-Fillauer (H)	DUFM	31.25	33.00	1.75	5.60	24	0.28	0.85	33.00	16.00
ASE	Ketchum	KCH	2.25	2.13	−0.13	− 5.56	− 3	0.00	0.00	2.75	1.25
NYS	McKesson Corp.	MCK	33.25	34.63	1.38	4.14	14	1.60	4.62	36.00	26.88
ASE	Moore Medical (H)	MMD	8.25	7.63	−0.63	− 7.58	33	0.00	0.00	9.25	3.50
NYS	Owens & Minor	OMI	19.75	20.00	0.25	1.27	18	0.28	1.40	21.88	10.88
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	52.75	50.88	−1.88	− 3.55	22	1.00	1.97	54.00	34.13
NYS	American Home Products (H)	AHP	62.63	59.25	−3.38	− 5.39	15	2.28	3.85	63.88	43.00
ASE	Barr Laboratories (H)	BRL	19.00	18.25	−0.75	− 3.95	41	0.00	0.00	19.88	5.38
NYS	Baxter International (H)	BAX	36.75	34.50	−2.25	− 6.12	19	0.72	2.09	37.13	20.50
OTC	Block Drugs Co. (H)	BLOCA	55.00	53.25	−1.75	− 3.18	19	0.80	1.50	56.00	29.63
ASE	Bolar Pharmaceutical	BLR	4.63	4.00	−0.63	−13.51	− 3	0.00	0.00	8.25	1.88
NYS	Bristol-Myers Squibb	BMY	79.38	78.50	−0.88	− 1.10	23	2.40	3.06	80.38	55.38
NYS	Carter-Wallace (H)	CAR	66.75	61.50	−5.25	− 7.87	18	0.92	1.50	67.63	44.88
ASE	Columbia Labs	COB	8.50	9.00	0.50	5.88	− 7	0.00	0.00	13.00	3.63
ASE	Forest Labs	FRX	38.38	35.38	−3.00	− 7.82	41	0.00	0.00	42.13	18.75
ASE	Halsey Drug (H)	HDG	4.25	5.50	1.25	29.41	34	0.00	0.00	5.50	2.13
NYS	ICN Pharmaceutical	ICN	5.25	5.50	0.25	4.76	− 3	0.00	0.00	6.13	2.50
ASE	Lee Pharmaceutical	LPH	1.38	1.25	−0.13	− 9.09	− 5	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition (H)	PLI	12.75	12.63	−0.13	− 0.98	11	0.00	0.00	13.38	6.75
NYS	Lilly Eli Co.	LLY	82.25	76.13	−6.13	− 7.45	19	2.00	2.63	90.38	65.63
NYS	Marion Merrell Dow	MKC	37.00	35.25	−1.75	− 4.73	19	0.80	2.27	39.63	22.75
NYS	Merck Co. (H)	MRK	113.63	117.63	4.00	3.52	25	2.24	1.90	117.63	72.38
NYS	Mylan Labs	MYL	25.50	24.13	−1.38	− 5.39	27	0.20	0.83	28.00	13.75
NYS	Par Pharmaceutical	PRX	4.38	3.75	−0.63	−14.29	− 3	0.00	0.00	8.13	3.38
NYS	Pfizer Inc.	PFE	56.75	56.88	0.13	0.22	23	1.32	2.32	58.38	28.25
NYS	Rhone-Poulenc Rorer	RPR	79.13	82.25	3.13	3.95	−158	0.84	1.02	83.25	56.75
NYS	Schering Plough	SGP	50.00	50.88	0.88	1.75	19	1.32	2.59	52.25	40.38
NYS	Syntex Corp.	SYN	42.75	41.25	−1.50	− 3.51	23	0.92	2.23	43.75	24.63
OTC	Taro-Vit Industries	TAROF	4.13	4.13	0.00	0.00	−103	0.00	0.00	4.25	0.88
NYS	Upjohn Co.	UPJ	47.63	44.25	−3.38	− 7.09	17	1.16	2.62	49.25	33.00
NYS	Warner-Lambert	WLA	79.38	75.00	−4.38	− 5.51	20	1.76	2.35	82.25	52.88
OTC	Zenith Labs	ZENL	8.75	9.50	0.75	8.57	13	0.00	0.00	10.00	3.75
Other retailer transactions											
NYS	Albertson's (H)	ABS	50.63	45.50	−5.13	−10.12	26	0.56	1.23	51.38	28.00
NYS	American Stores	ASC	90.75	86.00	−4.75	− 5.23	16	1.12	1.30	86.00	42.63
NYS	Giant Food	GFS.A	30.38	28.75	−1.63	− 5.35	14	0.64	2.23	31.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	52.25	44.00	−8.25	−15.79	11	0.80	1.82	59.63	37.75
NYS	Kmart	KM	42.38	41.00	−1.38	− 3.24	11	1.76	4.29	43.50	23.38
NYS	Kroger	KR	23.38	21.63	−1.75	− 7.49	18	0.00	0.00	24.50	10.63
NYS	Melville Corp.	MES	52.75	49.00	−3.75	− 7.11	14	1.44	2.94	57.75	32.75
OTC	Fred Meyer (H)	MEYR	18.25	17.00	−1.25	− 6.85	12	0.00	0.00	19.25	10.00
NYS	Penney, JC	JCP	51.75	53.00	1.25	2.42	12	2.64	4.98	68.00	37.38
NYS	Safeway	SWY	20.50	19.38	−1.13	− 5.49	19	0.00	0.00	21.63	10.25
NYS	Smith's Food & Drug	SFD	43.00	40.13	−2.88	− 6.69	28	0.36	0.90	43.75	24.75
NYS	Wal-Mart	WMT	42.88	40.75	−2.13	− 4.96	36	0.16	0.39	44.25	24.88

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

C5150-2

The newspaper of drug store retailing

June 10, 1991

DRUG STORE NEWS®

SECOND CLASS

Vol. 13 No. 11

A Lebhar-Friedman publication

Gallup '91

Exclusive Report

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Drug stores entice cosmetics customer

The newspaper of drug store retailing June 10, 1991

DRUG STORE NEWS

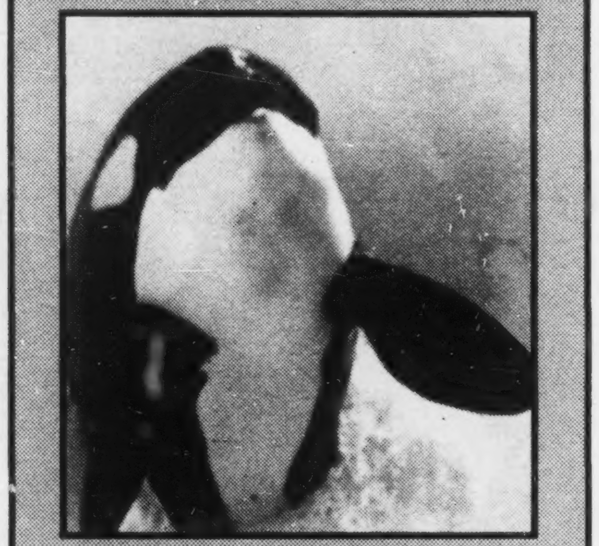
Vol. 13 No. 11 A Lebhar-Friedman publication

LATE NEWS

•GOUVERNEUR, N.Y.—Richard A. Cognetti is the new president of 33-store Kinney Drugs, succeeding John M. Burgess, who will remain on the board. Cognetti, a pharmacist, previously was senior vp-operations.

•SAN FRANCISCO — Drug Emporium signed its first lease in the Bay Area and is negotiating for several other sites, company sources confirmed.

FEATURES



Shamu hunting NACDS-goers

It's easy to make a splash in San Diego while attending Marketplace. Possibilities: Sea World and the zoo. **Page 26.**

New Rx waste systems coming

NWDA affiliate takes on the tough challenge of pharmaceutical waste processing and disposal. **Page 33.**

Drug Store News
Box 3116, Grand Central Station, New York, N.Y. 10164-0659

Longs makes sales top priority

By James Frederick

WALNUT CREEK, Calif. —Longs Drug Stores will continue to fight for its market share by sacrificing gross margins and short-term profitability to sustain sales and customer traffic, its leaders told shareholders at the company's annual meeting here May 21.

"Our plan is to increase and maintain Longs' market share . . . through increased price sensitivity and careful attention to promotion," said chairman and ceo Bob Long. He described current retail conditions in western states as "much more price-competitive and much more demanding" than in years past, adding that the next 12 months for Longs will see "an aggressive ad program."

Nevertheless, added new Longs president Steve Roath, "promotional sales cannot be an end in and of themselves.

"Some retail segments are more vulnerable than others, and we need to be selective of the competitors we promote against," Roath told shareholders. "Our promotional strategy should support our core business by providing a value-added reason for shopping at our stores."

See **Longs** *page 8*

> ***Our plan is to increase and maintain market share . . . through increased price sensitivity and careful attention to promotion.***
>
> **—Bob Long**

NACDS Marketplace '91: Alliances will be forged

Chain drug store buyers and merchandisers are heading to the NACDS Marketplace meeting, held in San Diego June 16-19, to discuss problems they see arising in the business.

They say the theme, Alliance for Opportunity, is a key phrase—but they want concrete evidence, not empty promises.

The 2,300 retailers and manufacturers will conduct mini-business reviews during afternoon exhibit hours. Top on their list: the growing use of representatives or telemarketing for smaller accounts.

"More manufacturers are switching from direct calls to medium-and-small-size companies and going to brokers," says May's president Gerald Heller.

Jean Anne Hamm, vp-purchasing, Town and Country Drug Stores, echoed his feelings. "We've got to keep our foot in the door and remind vendors there's more in our market than just the big combos and deep discounters."

Several chain executives griped about the levels of service from even the largest and most respected suppliers. "All we hear about is alliances and Procter & Gamble's level 3 (a

Continued on page 24

LaFerriere leaves Thrifty amid merch restructure

By David Vaczek

LOS ANGELES — A merchandise department restructure at Thrifty Drugs has sparked the surprise departure of 20-year buying veteran Bob LaFerriere.

The restructure creates three senior vps for buying, partitioning buying responsibility by merchandise classes. The structure change was launched by Eve Rich, named Thrifty Drug president in December as part of a major ongoing overhaul of Thrifty Corp. top management.

The new plan, implemented this spring, made LaFerriere one of three senior-vp buyers. He was joined by two new hires, Debbie Anderson and Shirli Sumida.

LaFerriere had been elevated as the sole senior-vp buyer for the 622-store Thrifty Drugs in August in a first wave of management changes. Parent Pacific Enterprises launched the shakeup last year with the assignment of Dan

See **LaFerriere** *page 8*

RxPlus winner in Revco, SupeRx name game

By Susan Ball

PHOENIX — Big Al . . . Cactus Drug . . . Southwest Drugs . . . Drugs R Us . . . Cover (a modified reversal of Revco's letters) . . . Thriftee . . .

Those were some of the entries in an internal contest to find a new name for RDS, the chain formed last fall when an Al Towle-led group bought 146 Revco stores in four Southwestern states and subsequently acquired 18 SupeRx stores in Arizona. Currently, the stores have Revco or SupeRx identities.

The winning entry and the chain's new name is RxPlus. New blue-and-yellow-on-white logos and signage will be rolled out market by market over the summer backed by local advertising, and a major, chainwide renaming celebration is set for September.

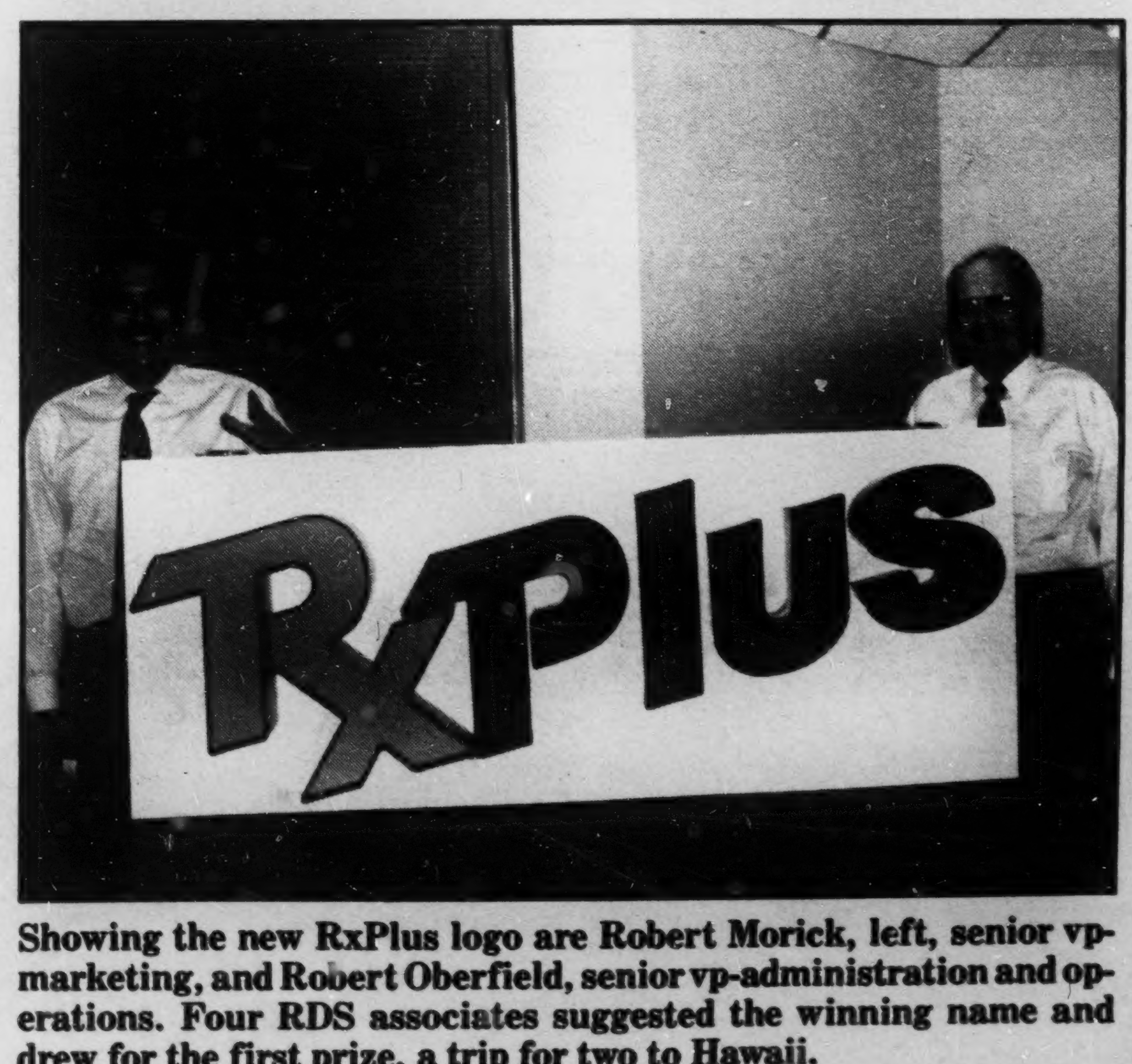
After months of hard work assembling a management team and setting up programs and systems, while running 160-plus stores, RxPlus's new identity is coming together.

The latest addition to its lean management cadre is Steve Hansbrough, former Dart Drug ceo, who joined RxPlus last month as senior vp of distribution-administration.

Recently, Bob Oberfield, senior vp-administration and operations; Bob Morick, senior vp-marketing; and Steve Thayer, regional manager for Arizona, talked with a visitor about main themes RxPlus will stress.

"We're a small, entrepreneurial company, out to be the

Continued on page 117



Showing the new RxPlus logo are Robert Morick, left, senior vp-marketing, and Robert Oberfield, senior vp-administration and operations. Four RDS associates suggested the winning name and drew for the first prize, a trip for two to Hawaii.

NEWS IN BRIEF

Brooks' RxWatch ads capture awards

PROVIDENCE, R.I. — Newspaper ads for Brooks Pharmacy's RxWatch program garnered two awards recently.

The Retail Advertising & Marketing Association presented Mariani, Hurley & Chandler, the ad agency that produced the ads, with its Astar award as No. 1 entry in the Image/Positioning category for drug stores.

In addition, International Newspaper and Marketing Executives (INAME) named the RxWatch ad as one of the 10 best. INAME reviews more than 30,000 ads submitted by more than 1,600 newspapers in its annual competition.

With Ron Mancyak (right, standing), Brooks Pharmacy, are Tom Chandler and Bob Mariani (front left and right) and (left, standing) Bob Hurley, Mariani, Hurley & Chandler.

RxWatch is a computerized prescription service to customers adopted by Brooks and the other two divisions of Hook-SupeRx Inc. (HSI). RxWatch checks an enrollee's new prescription against his or her personal health conditions and prescription history and alerts the pharmacist to any adverse interactions, duplications or compliance problems. Its 24-hour emergency service can provide medical personnel with a patient's confidential medical profile. The ads' headlines are: "Before it goes into your system, it goes into our system" and "Belong to a health club where the heaviest thing you lift is this card."

Wellby opens seventh N.H. store

NORTH HAMPTON, N.H. — A $1,000 donation to the Seacoast Visiting Nursing Association marked the April 7 opening of Wellby Super Drug's seventh New Hampshire store, a 9,600-square-foot unit.

Wellby, now with 40 stores, was cited by association executive director Jane Larrabee for its programs that assist seniors, such as its Golden Years discounts, and a program for the free use of wheelchairs, crutches and other hospital equipment. An April 13 sweepstakes drawing featuring a first-place color TV capped the opening events.

National Intergroup sells unit

CARROLLTON, Tex. — FoxMeyer-parent National Intergroup virtually completed its divestiture program of non-retail assets with the announced signing of a definitive pact to sell all of its shares of Permian Corp., an oil distribution subsidiary, to Ashland Oil. The sale will be for about $75 million in cash and 2.2 million shares of Ashland common stock. Ashland is also assuming about $83 million in Permian debt, and Permian will forgive $14 million of debt currently owed to it by NI.

NI has said it is exploring a spinoff of the Ben Franklin variety store business, as it focuses completely on FoxMeyer Drug Co. NI also still owns an equity stake in National Steel.

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Alco Health completes buy of all Eagle Drugs' 57 stores

By Susan Ball

MINNEAPOLIS — Alco Health Services Corp. has landed Eagle Drugs, a wholesale cooperative of 57 independents operating mainly in the Minneapolis-St. Paul market.

The possibility of the deal was reported first in *Drug Store News*, April 1 issue.

Eagle, whose 1990 sales were about $35 million, will retain its name and key personnel, including its president, Bruce Foster, who will be vice president and general manager of the operation.

The acquisition of "a well-respected, profitable operation like Eagle Drugs will offer additional areas for growth and the opportunity to launch new business in the desirable upper Midwest," said R. David Yost, Alco's group president, central region. Alco said it expects to expand Eagle's involvement in independent, chain and hospital accounts.

Indeed, Minneapolis-St. Paul will become Alco's base of operations in Minnesota. Alco will renovate and more than double the size of Eagle's distribution center in suburban Eden Prairie this summer, expanding it from 35,000 square feet to over 80,000 square feet, said Mike McNamara, Alco's vp-sales and marketing, who is in Minneapolis helping with the integration process. Alco plans to close its 20,000-square-foot satellite facility in Mankato, which only handles pharmaceuticals, and consolidate in Eden Prairie, which will become Alco's Minnesota division.

The expanded Eagle DC, which currently has approximately 15,500 SKUs, will increase to 26,000 SKUs and will include a complete hospital inventory and nursing home products, as well as pharmaceuticals, HBA, a large offering of sundries and seasonals, and other drug store categories.

In addition to serving the former cooperative's 57 independents, the facility will service customers throughout Minnesota and extending into Wisconsin, North and South Dakota and Iowa, McNamara said.

The renovated facility will have gravity-feed flow racks, a new conveyor system, new cage and vaults, and other new features, he added.

Eagle independents will continue to use the Eagle advertising program and advertise as Eagle stores. In addition, they will have access to Alco's Family Pharmacy menu of 30-plus programs.

McNamara and Foster, in a joint phone interview, said the former cooperative's members are committed "to help us grow the Eagle Family Pharmacy business. They're very excited."

In addition to the advantages of a larger product selection and Alco programs, the independents will benefit from the better prices that Alco's size makes available, as well as from Alco's pharmaceutical repackaging operation, based in Louisville, Ky., McNamara said.

A measure of Eagle constituents' enthusiasm, he added, is that by mid-May, about 20 percent had already signed up for the AHSC trade show, scheduled for June 27-30 in New Orleans.

McK says customer service is No. 1

TUCSON — It was no accident that all 300 McKesson executives who attended McKesson Drug Co.'s 1991 National Management Conference here recently had vp-customer service on their nametags.

McKesson Drug is giving customer service No. 1 priority, its leaders told the group. McKesson Drug's new president, Tom Simone, in his first speech to drug company executives, called customer satisfaction "the real bottom line." To underscore that, McKesson is creating a new position, vp-quality service, reporting to Simone, as well as a new President's Award to recognize outstanding service.

Photo coverage of McKesson Management Conference, page 115.

Simone listed four other major objectives and outlined strategic steps to carry them out. They include:

- Making employees "our key competitive advantage" by focusing on employee communications and involvement and improving performance measurement and compensation systems.
- Being No. 1 in sales and profits with each customer segment and in each of McKesson's geographic markets. Toward that goal, the company plans to develop and roll out a new chain offering. It also targets increasing its sales to the hospital segment to 25 percent of total business by FY1996, from the current 19 percent level. In addition, the wholesaler is actively recruiting for two new positions: vp-chain marketing and vp-hospital marketing.
- Achieving the lowest "dead-net delivered" cost in the industry—the best "buying" profit margin and the lowest operating expense ratios.
- Trying to "work smarter and do things better than our competitors" through continued emphasis on innovation and applying new methods to the distribution network to provide better service at lower cost.

In an organizational change, Simone announced that Fred Toney, senior vp-merchandising and inventory services, would report directly to him.

Also speaking at the conference were Joe Polastri, former president of McKesson Drug who now heads McKesson's new Distribution Group; Hank Wilde, new executive vp-operations; Doug Thompson, senior vp-distribution services; Derek Hall, vp-sales; Doug Nelson, executive vp-marketing; Toney; Dave Friesen, president and chief operating officer of Medis, McKesson's Canadian division; Rex Malson, president and chief operating officer of McKesson Corp.; and Alan Seelenfruend, corporation chairman and ceo.

McKesson's theme for both the conference and for the fiscal year—Building Tomorrow Together—is the same as NWDA's, and this emphasis on partnership with suppliers and customers pervaded the five-day meeting. Underlining this commitment, McKesson has established the new position of director of supplier partnering, which will be filled soon, an executive said.

Doug Thompson announced

See **McKesson** *page 8*

Correction

In the May 6, 1991 issue, *Drug Store News* mistakenly transposed figures in a chart detailing Rite Aid's five-year sales trends. A corrected table follows:

Rite Aid sales
(in billions of dollars)

1991	$3.4
1990	3.2
1989	2.9
1988	2.5
1987	1.8

FY ended 3/2/91.
Source: Company reports.

For the record, earnings during these periods follow:

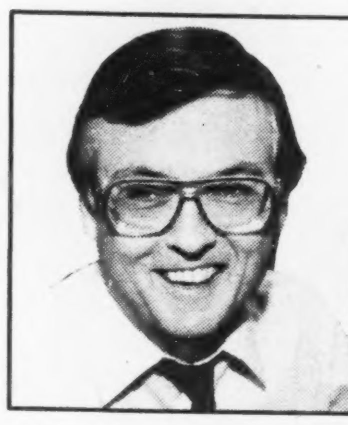
Rite Aid earnings
(in millions of dollars)

1991	$107.3
1990	102.1
1989	95.2
1988	144.6
1987	78.0

FY ended 3/2/91.
Source: Company reports.

Eckerd shows muscle, even in its heart

It was the spring of 1986. For the Jack Eckerd Corporation, an era was ending, a new one about to begin. I remember attending Eckerd's last annual meeting as a public company in April. I recall it as a time of nostalgia and hope. Long-time shareholders came to share remembrances with Jack Eckerd and others who had built the chain into one of the most dynamic in the nation.



IN THE MARKET
BRUCE BUCKLEY

Now five years later it is plain that the mixture of hope and optimism shown by the new management team at that meeting was well justified. The financial package they crafted so carefully has stood up to the rigorous tests imposed by the marketplace. In a time when the letters LBO have come to be associated with the financial excesses of the '80s, Eckerd's leveraged buyout serves as a model for what might have been done by others, had they not reached out for quick and risky solutions.

Consider that the company and its LBO partner, Merrill Lynch Capital Partners, were able to take advantage last year of Revco's misfortunes by laying out $80 million for 223 of the stores put on the block by the Ohio-based drug chain. The deal added sales. It built muscle in key Sunbelt markets. And it had the mark of a confident and aggressive player able and willing to dig deep for future returns.

Eckerd's remodeling program carries the same mark of confidence. By now the story of the chain's substantial and continuing investment in creating a "customer-friendly" atmosphere in its stores is well known. Since 1986 some 1,200 stores have been remodeled: Uncluttered, fresh, appealing, easy to shop are the words that come to mind in describing the changes that have taken place in Eckerd's second most important asset.

The first, of course, is people. That's where the company has had its greatest success. It has managed to instill a feeling of ownership pride among its associates, from headquarters, to distribution centers to its more than 1,700 stores in 14 states. Part of the reason is financial: stock ownership plans for key employees and profit-sharing for everyone. But financial packages can only go so far. The intangible benefit of working for a company that values enterprise, creativity and hard work is much more important in the long run. And that, it seems to me, is where Eckerd excels.

Not long ago Eckerd announced that it would make sure that the 52 National Guard members and Reservists called up in the Persian Gulf crisis would not suffer financially as a result of their sacrifice. The company said it would make up the difference between their military salaries and the amounts they earn as civilians. "We adopted this policy simply because we thought it was the right thing to do," Stew Turley wrote in the company's recently issued annual report.

Exactly. It was the right thing to do. It also sent out a message of caring to all of the thousands of Eckerd associates and millions of Eckerd customers from Texas to Florida to New Jersey. Talk about the intangible rewards of people investment!

Is it clear that I'm a fan of this kind of enterprise? It would be hard not to be.

Shoppers need comfort in order to spend

Retailers seem so preoccupied today with technology, inventory management and lean operations, they mustn't lose sight of the backbone of their business: the customers.

The need to tailor store design to lifestyle concerns and a grayer shopping base is crucial. With so many retail alternatives open to consumers, often the most comfortable store gets the business.

THE HUMAN SIDE
AL HELLER

"It's not a matter of, say, Revco vs. Eckerd. It is everyone competing for discretionary dollars. No one is serving new markets. We are overstored," said Paco Underhill, managing director of Envirosell, a design firm with extensive credits in the department store, specialty chain, banking and packaged goods areas. The company makes unusual time-lapse film studies of shopper flow around and within stores.

"Amenability and profitability are inextricably linked," Underhill declared during a recent presentation at the law offices of Gibney Anthony & Flaherty in New York City. "Shopping is a social process. Most decisions are discretionary."

Underhill, whose firm was involved in the recent development of Revco's prototype, offered some insights on store design:

- Account for "rear-brush factor," people's unwillingness to examine products on a busy or narrow aisle because others who walk by will likely rub against them. Women are more sensitive to this, he says, explaining why the romance novel section generally has more room than other classifications in bookstores.

Indeed, in one of his studies, a rack of new men's ties in Bloomingdale's rated far greater attention when moved five foot over from a main traffic aisle to a less-busy department aisle.

The drug store application: display new cosmetics items slightly away from a main traffic spot, on a curved showcase perhaps, where a woman can handle the product comfortably.

"So many store planners are men," says Underhill. "They don't appreciate that with a suburban audience, if a stroller can't get to it, near it or by it, a significant part of the shopping audience will never visit that part of the aisle.

"Shoppers can't negotiate *and* shop at the same time," he added.

- In drug stores, shoppers are more prone to impulse buys after they take care of their primary purchase, such as filling a script. Promotional ends and floorstands may have more impact if set to attract traffic moving from the back-of-store to the front.
- Less than five percent of drug store shoppers pick up a carry basket or wagon. Since there is a direct correlation between transaction size and carry- aids, stack these baskets around the store near impulse items.
- Drug stores need to understand the age of their shoppers: for seniors, comfortable seats help determine where scripts are filled and money spent; for younger crowds, keep a visual axis between pharmacy and baby care.
- Given the absolute predictability of who shops when in a mall, shift merchandise by the entrance appropriately to draw traffic. Since 60 percent of people approach from the right side, cant the goods for maximum visual impact. That is, after all, the shoppers' first impression of a store.

"How stores work in Lafayette, La., and Grand Forks, N. Dak., are distinctly different," said Underhill. "I appreciate some cookie cutter approach, but chains succeed by letting local management take responsibility for stores and accept the consequences of increases and decreases."

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SDM sees 'modest' gain for first quarter earnings

MONTREAL — Given Canada's depressed retail environment, Shoppers Drug Mart "did very well" in turning in a "modest" increase in first-quarter operating earnings, $16.9 million (Canadian) versus $16.8 million in the prior-year period, said Purdy Crawford, chairman and ceo of Imasco Ltd., Shoppers' parent company.

"After adjusting for the pricing changes caused by the removal of Federal Sales Tax and implementation of the GST [Federal Goods and Services Tax]," Crawford continued, "comparable-store sales increased by 7 percent."

Shoppers' revenues for the quarter were $34.7 million (Canadian), up 5 percent over the $33.1 million reported in the comparable period last year.

Imasco's overall earnings dropped 22 percent in the quarter, ended March 31, to $51.9 million Canadian from $66.6 million. The prior year includes a $1.4 million after-tax contribution to earnings from Peoples Drug Stores, which was sold to CVS in September 1990.

Imasco's first-quarter systemwide sales of consumer products and services in its tobacco, financial services, resturant, drug store and retail businesses in Canada and the United States rose 1 percent, to $3.5 billion (Canadian).

Revenues for the three months also increased 1 percent, to $1.1 billion.

Operating earnings for the first quarter were $123.3 million, compared with $134.9 million, a 9 percent decrease.

Bergen Brunswig given $100M OK for buying Class A common stock

ORANGE, Calif. — Bergen Brunswig said its Board of Directors authorized the company to spend up to $100 million to buy shares of its Class A common stock from time to time in open market transactions as market conditions warrant and as permitted by the rules of the Securities and Exchange Commission and the American Stock Exchange.

There are currently 34.3 million shares of common stock outstanding.

The wholesaler's president and ceo, Robert E. Martini, said the recent drop in the price of Bergen Brunswig's stock presents an opportunity for the company to purchase shares at a price that would add to earnings per share and would improve the rate of return on shareowners' equity.

Previously, in response to inquiries from the American Stock Exchange about pressure on the company's stock, Martini noted that The Raymond James Co., one of the brokers following Bergen Brunswig, issued a report April 22 downgrading its recommendation on the company's stock from "buy" to "hold."

He added that Bergen Brunswig Drug Co. sales during the first six weeks of the current fiscal quarter were below plan but about 10 percent ahead of sales for the comparable period last year.

Med-Shoppe posts 2nd qtr./half gains

ST. LOUIS — Medicine Shoppe International posted a 20 percent increase in net earnings for the second quarter ended March 31, to $2.5 million from $2.1 million in the comparable prior-year period.

For the six months, net earnings increased 21 percent, to $4.96 million, compared with $4.1 million.

Corporate revenues were up 8 percent, to $8.8 million from $8.2 million. Year-to-date revenues also increased 8 percent, to $17. 7 million from $16.4 million in the comparable prior-year period.

The principal component of corporate revenues, franchise fee income, rose 18 percent for both the quarter and the half.

Retail sales of the Medicine Shoppe system also increased 18 percent, to $150.7 million in the second quarter and $296.7 million for the six months.

Comparable-store sales gained more than 14 percent for the six months.

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Vol. 13, No. 11 June 10, 1991

MARKET DIARY:

Largest Dollar Gainer	Bristol-Myers Squibb	$ 4.50
Largest Dollar Loser	Smith's Food & Drug	$- 3.13
Largest Percentage Gainer	Zenith Labs	15.79%
Largest Percentage Loser	Bolar Pharmaceutical	-15.63%

Advances	28
Declines	28
Unchanged	2
New highs	17
New lows	1

	Close 5/7/91	Close 5/24/91	Net Change	Percent Change
Drug Store News Index	4111.56	4151.28	39.72	0.97
Dow Jones Industrial Average	2917.49	2913.91	- 3.58	-0.12
Standard & Poor's 500-Stock Index	377.32	377.49	0.17	0.05
N.Y.S.E. Composite	206.65	206.66	0.01	0.00
Value Line Index	239.79	238.08	- 1.71	-0.71

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 5/7/91	Closing Price 5/24/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.75	6.63	-0.13	- 1.85	25	0.00	0.00	7.56	4.50
OTC	Arbor Drugs (s) (H)	ARBR	16.17	18.50	2.33	14.43	22	0.12	0.65	19.88	8.88
OTC	Big B (H)	BIGB	12.75	14.13	1.38	10.78	- 74	0.00	0.00	14.13	4.75
OTC	Drug Emporium	DEMP	7.75	8.63	0.88	11.29	17	0.12	1.39	11.00	6.63
NYS	Fay's Inc.	FAY	14.13	13.88	-0.25	- 1.77	17	0.20	1.44	15.75	7.25
ASE	Genovese Drug (H)	GDX.A	11.13	11.38	0.25	2.25	14	0.24	2.11	11.63	5.50
NYS	Longs Drug Stores	LDG	42.75	42.38	-0.38	- 0.88	15	1.08	2.55	43.63	30.88
OTC	Medicine Shoppe	MSII	24.13	24.00	-0.13	- 0.52	20	0.24	1.00	28.75	15.50
NYS	Perry Drug	PDS	6.13	6.63	0.50	8.16	- 66	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp.	RAD	42.50	43.00	0.50	1.18	17	1.00	2.33	47.75	29.50
NYS	Walgreen Co.	WAG	32.38	31.75	-0.63	- 1.93	21	0.44	1.39	35.88	21.13
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	27.00	26.88	-0.13	- 0.46	14	0.40	1.49	32.75	21.38
OTC	Bindley Western Ind. (H)	BIND	17.75	17.25	-0.50	- 2.82	16	0.04	0.23	18.13	8.63
OTC	Cardinal Distribution	CDIC	36.00	38.25	2.25	6.25	29	0.08	0.21	39.75	18.50
OTC	Durr-Fillauer (H)	DUFM	33.00	31.50	-1.50	- 4.55	23	0.28	0.89	34.75	16.00
ASE	Ketchum	KCH	2.13	2.25	0.13	5.88	- 5	0.00	0.00	2.75	1.25
NYS	McKesson Corp. (H)	MCK	34.63	34.25	-0.38	- 1.08	14	1.60	4.67	37.13	26.88
ASE	Moore Medical	MMD	7.63	6.63	-1.00	-13.11	29	0.00	0.00	9.25	3.50
NYS	Owens & Minor	OMI	20.00	19.63	-0.38	- 1.88	18	0.28	1.43	21.88	10.88
Manufacturer's transactions											
NYS	Abbott Labs	ABT	50.88	51.88	1.00	1.97	23	1.00	1.93	54.00	34.50
NYS	American Home Products	AHP	59.25	60.75	1.50	2.53	15	2.28	3.75	63.88	43.00
ASE	Barr Laboratories	BRL	18.25	17.00	-1.25	- 6.85	36	0.00	0.00	19.88	5.38
NYS	Baxter International	BAX	34.50	35.50	1.00	2.90	20	0.72	2.03	37.13	21.50
OTC	Block Drugs Co. (H)	BLOCA	53.25	57.25	4.00	7.51	20	0.80	1.40	57.50	29.63
ASE	Bolar Pharmaceutical	BLR	4.00	3.38	-0.63	-15.63	- 2	0.00	0.00	7.88	1.88
NYS	Bristol-Myers Squibb (H)	BMY	78.50	83.00	4.50	5.73	24	2.40	2.89	84.88	55.38
NYS	Carter-Wallace (H)	CAR	61.50	61.75	0.25	0.41	18	0.92	1.49	68.00	44.88
ASE	Columbia Labs	COB	9.00	8.63	-0.38	- 4.17	- 6	0.00	0.00	11.38	3.63
ASE	Forest Labs	FRX	35.38	39.25	3.88	10.95	43	0.00	0.00	42.13	19.00
ASE	Halsey Drug (H)	HDG	5.50	5.44	-0.06	- 1.13	29	0.00	0.00	5.94	2.13
NYS	ICN Pharmaceutical	ICN	5.50	5.38	-0.13	- 2.27	- 3	0.00	0.00	6.13	2.50
ASE	Lee Pharmaceutical	LPH	1.25	1.38	0.13	10.00	- 6	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition	PLI	12.63	10.88	-1.75	-13.86	10	0.00	0.00	13.38	6.75
NYS	Lilly Eli Co.	LLY	76.13	79.63	3.50	4.60	19	2.00	2.51	90.38	65.63
NYS	Marion Merrell Dow	MKC	35.25	35.13	-0.13	- 0.35	19	0.92	2.62	39.63	23.00
NYS	Merck Co. (H)	MRK	117.63	120.88	3.25	2.76	25	2.24	1.85	122.88	72.38
NYS	Mylan Labs	MYL	24.13	23.88	-0.25	- 1.04	26	0.20	0.84	28.00	13.75
NYS	Par Pharmaceutical (L)	PRX	3.75	3.38	-0.38	-10.00	- 2	0.00	0.00	8.13	2.63
NYS	Pfizer Inc. (H)	PFE	56.88	58.38	1.50	2.64	24	1.32	2.26	59.38	31.25
NYS	Rhone-Poulenc Rorer (H)	RPR	82.25	82.25	0.00	0.00	168	0.88	1.07	84.38	56.75
NYS	Schering Plough (H)	SGP	50.88	53.50	2.63	5.16	20	1.32	2.47	53.75	40.38
NYS	Syntex Corp.	SYN	41.25	42.38	1.13	2.73	24	0.92	2.17	43.75	24.63
OTC	Taro-Vit Industries	TAROF	4.13	4.25	0.13	3.03	61	0.00	0.00	4.25	0.88
NYS	Upjohn Co.	UPJ	44.25	43.00	-1.25	- 2.82	17	1.16	2.70	49.25	33.00
NYS	Warner-Lambert	WLA	75.00	72.50	-2.50	- 3.33	19	1.76	2.43	82.25	56.50
OTC	Zenith Labs (H)	ZENL	9.50	11.00	1.50	15.79	15	0.00	0.00	11.00	4.25
Other retailer transactions											
NYS	Albertson's	ABS	45.50	45.25	-0.25	- 0.55	25	0.56	1.24	51.38	28.00
NYS	American Stores (H)	ASC	86.00	85.38	-0.63	- 0.73	15	1.12	1.31	92.38	42.63
NYS	Giant Food	GFS.A	28.75	28.88	0.13	0.43	14	0.64	2.22	31.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	44.00	47.00	3.00	6.82	12	0.80	1.70	58.63	37.75
NYS	Kmart (H)	KM	41.00	44.00	3.00	7.32	12	1.76	4.00	44.00	23.38
NYS	Kroger	KR	21.63	21.63	0.00	0.00	18	0.00	0.00	24.50	10.63
NYS	Melville Corp.	MES	49.00	48.50	-0.50	- 1.02	14	1.44	2.97	57.75	32.75
OTC	Fred Meyer	MEYR	17.00	16.75	-0.25	- 1.47	12	0.00	0.00	19.25	10.00
NYS	Penney, JC	JCP	53.00	56.25	3.25	6.13	14	2.64	4.69	68.00	37.38
NYS	Safeway	SWY	19.38	19.13	-0.25	- 1.29	19	0.00	0.00	21.63	10.25
NYS	Smith's Food & Drug	SFD	40.13	37.00	-3.13	- 7.79	26	0.36	0.97	43.75	24.75
NYS	Wal-Mart	WMT	40.75	41.38	0.63	1.53	35	0.16	0.39	44.25	24.88

NOTE: Arbor Drugs completed a 3-for-2 stock split.

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Beauty care is way to a woman's heart

Gallup '91

By Elizabeth Parks

The American female is a very desirable customer. As the person usually in charge of most household purchases, this is the consumer that most mass market stores target as their primary customer.

For four years now, *Drug Store News* has sponsored a national sample of beauty care use and shopping patterns among American women. The study is conducted for us by the Princeton, N.J.-based Gallup Organization.

This year's survey, which is based on a national projectable sample of 500 women, confirms that beauty care categories really are a popular way to a woman's heart.

Merchandised and advertised strategically, beauty care categories like fragrances, lipsticks and mascaras can lure a woman into a store, and once there, of course, she can be tempted into browsing and buying other types of merchandise.

This year Gallup found that, based on their incidence and frequency of use, there are three color cosmetics categories that especially deserve to be highlighted, via merchandising and advertising, in the cosmetics departments of all chain drug stores. These are face, lip and eye color cosmetics.

According to Gallup, eight out of every 10 American women over 18 use face color cosmetics (80 percent) and lip color (80 percent), while seven out of every 10 (69 percent) use some type of eye color product.

In comparison, nail color is currently only used by half the adult female population (51 percent), while nail treatment products are only used by a quarter of the population (25 percent), according to Gallup.

Not only do the face, lip and eye cosmetics segments have the highest population of users, they are also the segments with the highest incidence of use, Gallup discovered.

Eight of all 10 users apply either a face, lip or eye makeup at least once a day.

However, only one-third (35 percent) of all nail color users said they use a color polish "all the time," while 58 percent said they use polish "all or most of the time."

Possibly because very few women are ever entirely satisfied with the skin tones they inherit, 65 percent of all women use either a liquid base foundation, and/or a face powder with a blush.

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Color cosmetics: What 18- to 24-year-olds are using

Segment	Percentage of women 18-24 using in past four weeks
Lipsticks	76%
Mascara	74
Eye liner	72
Blush	68
Face powder	65
Eye shadow	61
Nail polish	59
Liquid foundation	55
Lip gloss	29
Nail treatments	22
Lip liners	21

*Based on all women in this age segment who have used these products during the past four weeks.

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Color cosmetics: What 25- to 34-year-olds are using

Segment	Percentage of women 25-34 using in past four weeks
Mascara	74%
Blush	71
Lipsticks	69
Eye shadow	64
Liquid foundation	61
Eye liner	54
Nail polish	53
Face powder	42
Nail treatments	27
Lip gloss	24
Lip liners	13

*Based on all women in this age segment who have used these products during the past four weeks.

Source: *Drug Store News*/Gallup 1991 Consumer Survey

Color cosmetics: What 35- to 49-year-olds are using

Segment	Percentage of women 35-49 using in past four weeks
Lipsticks	71%
Mascara	66
Blush	62
Eye shadow	59
Liquid foundation	51
Nail polish	49
Eye liner	47
Face powder	32
Nail treatments	26
Lip gloss	25
Lip liners	15

*Based on all women in this age segment who have used these products during the past four weeks.

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Beauty depts. need demographic tailoring

As competition for the beauty care customer escalates, drug stores have to rely on their marketing programs to make themselves visible and attractive to these sought-after consumers.

And in recent years, one strategy adopted by chain drug stores is to tailor their marketing programs to neighborhood stores and local demographics.

When it comes to beauty care products, for example, women of different demographic groups have different needs.

As the *Drug Store News*/Gallup Beauty care survey shows, most women aged 18 to 24 use mascaras (74 percent), but among women 50 and older, a much smaller number (25 percent) feel they need to use this particular type of beauty aid.

In fact, the only two beauty care products that are used by at least 80% of all women 50 and older are lipsticks and fragrances.

In stores located within older neighborhoods, therefore these would be the two best categories to advertise. They would help the stores reach the broadest base of neighborhood customers.

In college towns, however, or other neighborhoods where people under 25 congregate, mascaras, eye liners, blushes and face powders would also give the stores a broad reach, appealing as these categories do to at least two-thirds of all women 18 to 24.

Looked at from the point of view of what might have limited advertising appeal, Gallup makes it clear that lip glosses and lip liners aren't going to attract many women over 50 since just one out of every ten women this age uses these products. Likewise, in youthful neighborhoods, lip liners and nail treatments would also have limited appeal, since just two out of every ten women this age use these items.

> *Of course I buy all of my cosmetics and fragrances in a drug store! Drug stores know much more about those products than other stores. I buy everything with Revlon—always have and always will.*
>
> **—Melba Snyder**

The cornerstone of makeup may be liquid foundations

There will be times when chains will want to advertise the full spectrum of cosmetic products: a summer promotion, for example, that offers a complete collection of colors for face, eyes, lips and nails.

In these circumstances, Gallup's findings suggest that in selecting a face make-up to advertise or display, a liquid foundation might be the best choice since foundations are used by 53 percent of all women.

To look closer at how chains can custom tailor their selection of face make-ups by age, Gallup discovered that liquid foundations are most popular with women 25-34. Women in this group account for 21 percent of the adult female population, for example, so one would expect that proportionately, they could account for 21 percent of all foundation purchases.

But Gallup found that women 25-34 had a higher proportion of foundation users than was expected: 24 percent not 21 percent. Gallup also found that 61 percent of women 25-34 do use the foundations.

But to show how usage patterns change, based on age grouping demographics, as women reach 50 and over, their interest in liquid foundations falls off slightly. Gallup found that while 39 percent of all American women are in this group, just 37 percent of all liquid foundation users are 50 or older. That's disproportionately less than was to be expected.

And, Gallup found that while six out of every 10 women 25-34 were using liquid foundations, just five out of every 10 women 50 and older were liquid foundation users.

Older women are also less inclined to use face powders. Gallup found that 37 percent of face powder users are women 50 and older, and 39 percent of women in this age range say they used a powder in the last

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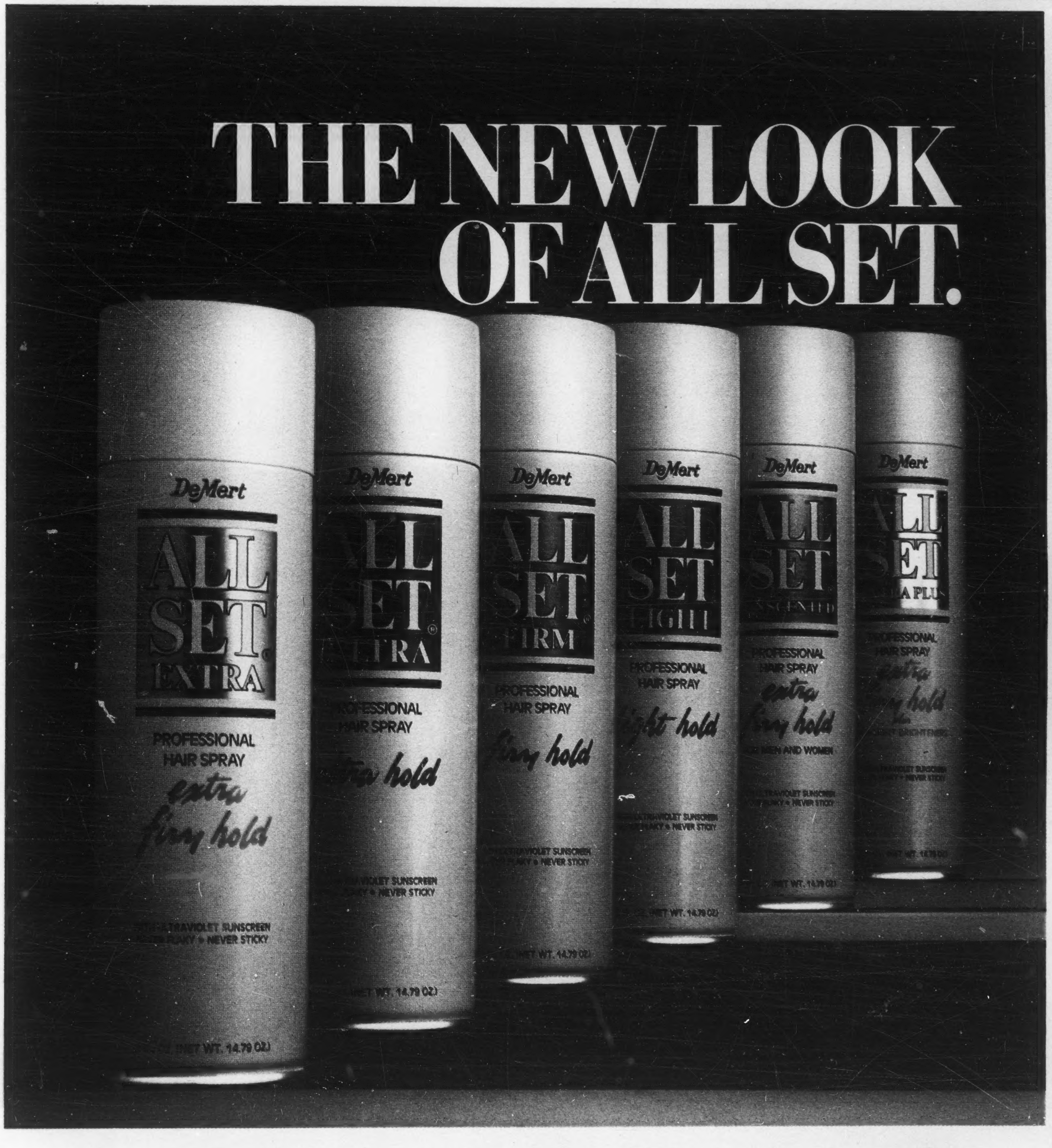
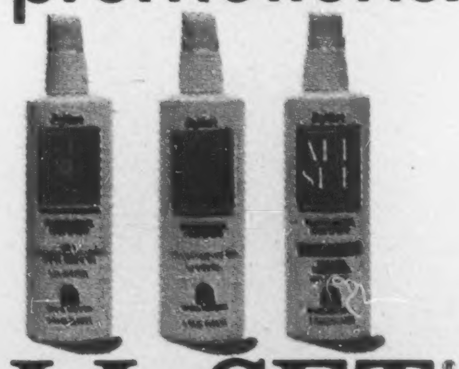
No, I don't buy them in a drug store. I usually buy them at a discount store, usually Target, because they're cheaper.

—Marsha Wycoff





New packaging. New advertising. New trade promotions.

New packaging gives All Set a more contemporary appeal. Consumer testing proves it attracts younger consumers.

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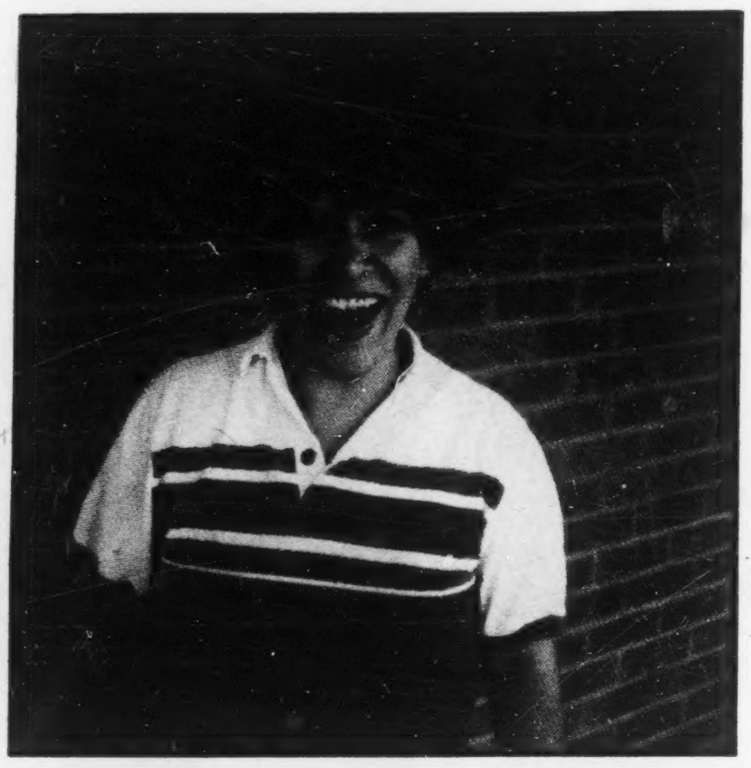


> *I always buy them at the drug store. I prefer this store because of its good service and because the people really know about the products. I prefer to buy things here because the people really care about you.*
>
> ***Carolina Robiez***

Powders, foundations make up biggest audience

Continued from 48

four weeks.

In contrast, 65 percent of all 18-24 year olds had used a face powder in the past four weeks. And, although 18-24 year old females only account for 13 percent of the U.S. population, 21 percent of all face powder users are in this age segment.

Again, this is a much higher proportion of use than expected, knowing that only 13 percent of the American population is in this age group.

So if a retailer is thinking of how to allocate space for cosmetics in stores in younger markets like college towns or near military bases, he or she should be giving extra space to face make-ups.

If the planograms are for stores in more mature neighborhoods, space for face make-ups can be compacted somewhat, according to these findings.

Blush

Because blush has a relatively long usage life, it is not a fast-turning category, usually turning slower than most other cosmetic segments.

However, blush will probably sell faster in stores in younger neighborhoods than in stores with more mature customers.

Many women 50 and older, for example, don't use a blush. Gallup found that only 47 percent of women this age use blush. And within the universe of all blush users, just 31 percent are in this age group. Two-thirds of all users, on the other hand, are 18 to 49.

Popular brands

Which brand of face powder do most women prefer?

Well, Cover Girl was by far the most popular brand in this year's survey, named by 21 percent of all women as their favorite face powder. It got twice as many votes as second place Clinique and three times as many as Mary Kay, Merle Norman and Estée Lauder.

However, its greatest strength was with women 25-34 where 30 percent named it as their favorite and with women 35 to 49, where 24 percent named it as their favorite.

If any retailers are creating a marketing campaign tailored to attract women in these age groups, Cover Girl face make-ups would be a perfect line to feature.

Color cosmetics: What women 50-and-older are using

	Percentage of women 50-and-older using in past four weeks
Lipsticks	81%
Nail polish	51
Liquid foundation	50
Blush	47
Face powder	39
Eye shadow	32
Mascara	25
Nail treatments	24
Eye liner	22
Lip liners	12
Lip gloss	11

*Based on all women in this age segment who have used these products during the past four weeks.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Color cosmetics: What women 18- to 24 are buying

Percentage of U.S. population aged 18-24	13%
Segment	% of users who are 18-24
Eye liner	23%
Lip liners	21
Face powder	21
Lip gloss	20
Mascara	19
Eye shadow	16
Nail polish	15
Blush	15
Lipsticks	14
Liquid foundation	14
Nail treatments	12

*Based on users who are in this age segment.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

> *I usually buy my cosmetics and fragrances at a department store. Usually, the drug stores don't carry the lines of products that I want in either area.*
>
> ***—Melinda Murphey***

Cosmetic buyers report that merchandising pre-packs on islands in a department store environment stimulates impulse sales dramatically.

How often women use color cosmetics

(Percentage of product users in these age groups)

	All women	18-24	25-34	35-49	50 and older
Once a day or more Facial cosmetics	79%	87%	79%	74%	78%
Eye cosmetics	76	85	71	73	78
Lip cosmetics	79	79	76	79	81

*Based on women who have used these beauty products during in the past four weeks.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

80% of all American women use lip cosmetics

Lip color is another cosmetic category that reaches almost all women in America. Eight out of 10 women use some lip color, and 74 percent use lipsticks in particular.

Lipsticks also have to be applied several times a day to stay fresh, so they tend to have higher turns and use-up rates than other cosmetic segments. Indeed, 79 percent of all lipstick users said they used that product at least once a day. The heaviest users, surprisingly are older women. Thirty-nine percent of the American population is 50 or older, but Gallup found that 42 percent of all lipstick users are in that age group.

Another statistical confirmation: 81 percent of the women 50 and older had used lipsticks in the past four weeks. In contrast, Gallup found that 69 percent of all women aged 25 to 34 had used a lipstick in the past four weeks.

Lip gloss, on the other hand, is not very important to older women. But it certainly appeals to younger women, and consequently almost begs to be part of a back-to-school advertising special or promotion. Gallup found that 20 percent of all lip gloss users were 18 to 24, especially significant because women in this age segment only account for 13 percent of the adult female population.

Gallup discovered that 29 percent of all the women 18 to 24 in the survey had used a lip gloss in the past four weeks, compared with 11 percent of the 50-and-older set. And while women 50 and older account for 39 percent of the female population, only 22 percent of them were lip gloss users. This indicates that the majority of older women are indifferent to lip glosses.

Older women are less likely to use lip liners. Gallup found only 33 percent of liner users were 50 or older, and just 12 percent of all the women 50 and older in the survey said they had used a lip liner in the past four weeks.

Because the user base is small, (just four percent of all women use lip liners) it's not the best category to advertise to draw traffic, but in the right stores, sales would probably increase significantly if this category were given more visibility through off-shelf displays that would generate impulse sales.

Favorite brands of lipsticks

Brand	All women
Avon	11%
Revlon	11
Estée Lauder	9
Cover Girl	8
Clinique	8
Mary Kay	7
L'Oréal	5
Maybelline	5

**Based on women who have used a lipstick in the past four weeks.*
Source: Drug Store News/Gallup 1991 Consumer Survey

Favorite brands

When it comes to picking popular brands to advertise, Revlon, Cover Girl, L'Oreal and Maybelline are the four strongest mass market lipstick brands. Indeed, 11 percent of all the lipstick users in the survey picked either Revlon or Avon as their favorite lipstick brand; both showed exceptional popularity with women 35 to 49, named by 14 percent and 18 percent, respectively.

Cover Girl lipstick was the most popular with women 25 to 34, named by 18 percent of all women in this age segment as their favorite brand. In comparison, just four percent of women in this age segment named Revlon as their favorite lipstick and just eight percent named Avon.

Like Cover Girl, L'Oreal's lipsticks were most popular with women 25 to 34, singled out by 12 percent as their favorite brand.

Seventy-nine percent of all lipstick users use that product at least once a day.

Favorite brands of mascaras

Brand	All women
Maybelline	30%
Cover Girl	11

Based on women who have used a mascara in the past four weeks.

Source: Drug Store News/Gallup 1991 Consumer Survey.

Most American women use face, lip and eye color cosmetics; half use nail color

Segment	Percentage of women who use
Fragrances	84%
*All Facial Cosmetics	80
Liquid and/or powder/ and blush	65
Blush	58
Liquid foundations	53
Face powders	41
*All Lip Cosmetics	80
Lipsticks	74
Lip gloss	20
Lip liners	14
*All Eye Color Cosmetics	69
Mascaras	52
Eye shadows	49
Eye liners	41
*All Nail Polish	51
Colored nail polish	39
Sheer/no color polish	27
Nail treatments	25
Both sheer and color	15
Artificial nails	6

*Based on all women. All other segment percentages are based on women who use products in that segment.

Source: *Drug Store News*/Gallup 1991 Consumer Survey

According to Nielsen Marketing Research, sales for color cosmetics in chain drug stores were up 8 percent for 1990. Lip, face and nail were all strong for last year, and eye color is coming on hot for the first half of 1991.

Eye makeup sights should aim at 18-49 set

Eye color is the third most highly used color cosmetic category, according to Gallup. Two-thirds of all American women use eye color products. Half of all women are mascara and eye shadow users, and four out of 10 use liners.

Eye color, however, is not necessarily something to advertise to attract mature women 50 and older.

Gallup found that just 25 percent of all eye shadow users are women 50 and older and just 19 percent of mascara users are 50 and older.

These are products to advertise in beauty programs aimed at attracting younger women. Three out of 10 mascara and eye shadow users, for example, are women aged 25 to 49, and two out of 10 are 18 to 24.

Women aged 18 to 24 are also frequent users of eye cosmetics, with 85 percent of all women in this age segment reporting that they use an eye cosmetic at least once a day or more.

Favorite brands

Far and away, the American female's favorite eye brand is Maybelline. Thirty percent of all the women in Gallup's survey named Maybelline as their favorite eye color cosmetic.

Maybelline's share of votes was nearly three times greater than its closer rival, Cover Girl, cited by 11 percent. Avon came in third with eight percent mentions; Mary Kay, six percent; L'Oreal, five percent, and Revlon, four percent.

Maybelline was the strongest with consumers 25 to 34 (36 percent) and 18 to 24 (32 percent). Cover Girl went over the biggest with girls 18 to 24 (20 percent), and was the weakest (seven percent) with women 35-49. Avon had its greatest strength with women 35 to 49. Twelve percent of women this age chose Avon as their favorite mascara brand.

Revlon's mascaras were weak with women 18 to 34, but were the favorite of 10 percent of women 50 and older.

L'Oreal was also weak in popularity among women 18 to 24, like Revlon, picked by just two percent of these respondents as their favorite brand. But eight percent of women 25 to 34 picked L'Oreal as a favorite.

Maybelline's overwhelming popularity among all age segments, however, suggests that if retailers want to use mascaras to draw traffic, they can probably reach the broadest number of consumers across all age segments by featuring Maybelline.

However, if they want to add some special incentives to attract more women 25 to 49, they should also consider featuring Cover Girl and L'Oreal.

> *I buy everything somewhere else. I buy cosmetics and fragrances from Mary Kay. It's easier for me, because they come and bring it to the house.*
>
> **—Diane Kaus**

How often women use nail polish

(Percentage of product users in these age groups)

	All women	18-24	25-34	35-49	50 and older
All the time	35%	N/A*	26%	37%	44%
Most of the time	23	N/A*	26	34	13

*Base is too small to project.
Based on women who have used colored nail polish during in the past four weeks.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Favorite brands of color nail polish

Brand	All women
Avon	17%
Revlon	13
Cover Girl	13

**Based on women who have used a color nail polish in the past four weeks.*
Source: Drug Store News/*Gallup 1991 Consumer Survey.*

In nail cosmetics chains are wary of being clipped

Since half of all women use nail color products, this category also deserves special consideration for space and advertising allocations.

Half of all women (51 percent) use nail cosmetics. Fifty-eight percent of all users say they have used a nail color cosmetic either all of the time or most of the time. One quarter of all women use nail treatments to strengthen weak nails or condition long nails.

Basically, nail users tend to follow the demographic breakouts of the population as a whole. There are 39 percent of women 50 and older in the adult female population, and 39 percent of all nail polish users are women 50 and older. Half of all the women Gallup interviewed in this age segment said they used nail polish.

In comparison, women 18 to 24 account for 13 percent of the population, and 15 percent of all users are in this age group. Gallup found that 59 percent of all women 18 to 24 use nail polish.

Favorite brands

Among mass market brands, Revlon and Cover Girl were named most often as favorite brands by 13 percent of women polled.

However, retailers should be aware that direct cosmetic marketers like Avon are steadily building a franchise with nail polish users. A showy 17 percent of survey respondents named Avon as their favorite polish—led by 25 percent of women 50 and older.

Since these are the consumers who currently shop drug stores most often for cosmetics, there could be trouble ahead if this trend continues.

To get more shoppers 25 and older into their stores for polish, retailers would be best off advertising and promoting the Revlon, Cover Girl and L'Oreal polishes that have a strong franchise with customers in those groups.

(Look for our full report on fragrance, skin and bath usage in the June 24 edition of Drug Store News: The Gallup Report Part II.

> *I buy some products in a drug store, but usually I buy cosmetics in a department store. Drug stores don't carry the lines I use.*
>
> **—Pat Morgan**

Where consumers shop most often for color cosmetics

(Percentage of purchasers who said they buy color cosmetics 'most often' in these trade classes)

	All shoppers	Shoppers aged: 18-24	25-34	35-49	50 and older
Regular drug stores	19%	26%	17%	18%	19%
Deep discount drug stores	23	11	28	21	24
Door-to-door	15	7	15	17	17
Discount stores	19	28	19	19	15
Department stores	11	14	10	11	12

*Based on women who have used color cosmetics and nail care products in the past four weeks.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

How often women shop drug stores for color cosmetics

(Demographic profile by age group)

Drug stores	Shoppers aged: 18-24	25-34	35-49	50 and older
All color cosmetic users	14%	22%	25%	38%
The "always" shopper	15	23	20	40
Sometimes shoppers	20	25	23	31
Rarely shoppers	9	18	33	39
Never shoppers	8	22	25	46

*Based on women who have used color cosmetics and nail care products in the past four weeks.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Drug chains are winning in beauty sales derby

Gallup reports that more than four out of 10 cosmetic users currently buy their cosmetics "most often" in a drug store. Making up this total, 19 percent frequent a conventional drug store such as Walgreens or Eckerd, and 23 percent visit deep discounters such as Drug Emporium or F&M.

Gallup found that the strongest competition for cosmetic sales isn't coming from department stores, but from discounters such as Kmart and Wal-Mart (19 percent) and direct marketers Avon and Mary Kay (15 percent). Just 11 percent of women said they buy "most often" in department stores.

Indeed, Nielsen Marketing Research, which tracks the sales of cosmetics and beauty aids through mass channels, has consistently reported that discount chains are building a greater presence. Wall Street analysts who follow the cosmetic industry concur that department store share is declining.

Store without walls

Not only are discount stores as well as food/drug combination stores intensifying their merchandising and advertising programs for cosmetics, direct marketers such as Avon are also aggressively pursuing this customer.

Avon executives have told reporters that they view their company as a store without walls, and they have said they want to increase the volume of business they do in beauty aids.

Other direct marketers Mary Kay and Amway are also introducing new beauty care products and lines, and obviously pitching much more wholeheartedly for cosmetic and beauty aid sales.

Gallup's profile of where women shop "most often" for beauty care products shows that door-to-door companies, like deep discount drug stores, have been most successful in appealing to women 25 and older, and least successful in cultivating the 18 to 24 year old female shopper.

Just 7 percent of all 18 to 24 year old respondents, for example, said they bought their cosmetics "most often" from a door-to-door rep, and just 11 percent said they bought them "most often" in a deep discount drug store.

Continued on page 71

Why women buy color cosmetics in drug stores

Good/reasonable prices	43%
Convenient to home/office	41
Variety/brand selection	16

*Based on women who always or sometimes buy their color cosmetic products in either a conventional or deep discount drug store.
Source: *Drug Store News*/Gallup 1991 Consumer Survey

. . . or rarely or never do

Do not carry my brands	25%
Prices are too high	19

*Based on women who rarely or never buy their color cosmetic products in either conventional or deep discount drug store.
Source: *Drug Store News*/Gallup 1991 Consumer Survey

I buy mascara and eyeliners from the drug stores, but I buy the rest in department stores. I have really sensitive skin, so I usually have to use a special kind which the drug stores don't carry.

—Sophia Kastanos

I buy foundations, eye shadow, mascara and eye liner at the drug store, but I buy blush and lipstick at the department store. The department store has the quality I like and more colors. I like the convenience and low cost for buying at drug stores.

Melissa Schultz

Drug chains face stiff cosmetic competition

Continued from page 68

In comparison, more than twice as many women 35 and older—17 percent—and 15 percent of all women 25-34 said they bought their cosmetics "most often" from door-to-door reps, while 28 percent of all 25-34 respondents said they bought their cosmetics "most often" in a deep discount drug store.

The older women get, the more they use deep discounters: 24 percent of women 50 and older, and 21 percent of women 35-49, said they buy cosmetics most often at a deep discounter.

Taking conventional and deep discount drug stores as a single trade class, the age groups shopping drug stores "most often" for cosmetics were women 25-34 (45 percent) and women 50 and older (43 percent).

Gallup found that 25 percent of women who said they "rarely or never shopped drug stores" for color cosmetics complained that drug stores didn't carry their brands; another 19 percent said it was because prices are too high.

Color cosmetics: Where your sales are coming from

(What women 25 to 34 are buying)

% of U.S. population aged 25-34	21%
Segment	**% of users who are 25-34**
Mascara	30%
Eye liner	28
Eye shadow	28
Blush	26
Lip gloss	25
Liquid foundation	24
Nail treatments	23
Face powder	22
Nail polish	22
Lip liners	21
Lipsticks	19

*Based on users who are in this age segment.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Three out of five women buying color cosmetics in a traditional drug store are 35 or older

	Shoppers aged:			
Trade class	**18-24**	**25-34**	**35-49**	**50 and older**
All color cosmetic users	14%	22%	25%	38%
Conventional drug stores	19	20	23	38
Deep discount drug stores	7	28	22	40
Door-to-door sales reps	7	22	28	42
Department stores	17	19	24	39

*Based on women who have used color cosmetics and nail care products in the past four weeks.
Source: *Drug Store News*/Gallup 1991 Consumer Survey

I buy cosmetics at the drug store, it's more convenient, closer than a department store. I go to the department store for foundation, powder, eye makeup and blush. The quality is there.

Lisa Rasmussen

Color cosmetic sales go into overdrive

So far, 1991 has been a good year for all the color cosmetic categories in chain drug stores. Buyers report first-half growth ranging from 3 to 4 percent to as much as 8 to 10 percent.

Chains with "dedicated" cosmetic programs—with upper management authorizing the advertising and merchandising, and giving ample human resources—are experiencing the greatest growth.

The category's performance is especially impressive because it's coming on top of a strong prior year. Nielsen Marketing Research reports that for 1990, the color cosmetics category in chain drug stores was up 8 percent to $964 million.

According to Nielsen, chain drug stores maintain the dominant share of mass market color cosmetic sales. In 1990, chain drug stores had a 51 percent share, while food and mass merchandise operators held 19 percent and 20 percent shares, respectively.

Independent drug stores generated 10 percent of color cosmetic sales. According to Nielsen, color cosmetic sales in independent drug stores declined last year by almost 7 percent, to $177 million. The share breakouts and sales decline suggest that independent drug stores, manned as they often are by pharmacists, are still not giving the front end, particularly cosmetics, the attention it needs to flourish.

Lip and face cosmetics both advanced 11 percent at chain drug stores in 1990, reported Nielsen, and led color growth overall. Nail was also strong, up 9 percent for the year, while eye cosmetics were up a modest 2 percent.

For the first half of 1991 similar trends are evolving, with two differences: eye color cosmetic sales are climbing, and nail, while strong at many chains, is slowing down in some areas.

Merchants interviewed by *Drug Store News* made it absolutely clear that lip and face cosmetics continue to do exceptionally well this year. In some chains if eye cosmetics are doing well, nail sales are weaker; at other chains, the opposite is true. In most chains, cosmetic organizers and accessories are selling exceptionally well.

In Seattle, for instance, Colleen Pierce, who supervises the cosmetics merchandising program at 36-store Bartell Drug, said her two strongest growth categories year-to-date are eye and lip color, up about 10 percent, with face makeups close behind.

In New York, Janice Jacobs, cosmetics buyer for Austin Drug, reported more moderate total category growth of approximately 4 percent; in her chain, face, nail and lip have been strong while eye cosmetics has been relatively soft.

Stephanie Hayter, cosmetics buyer for Genovese Drug, reports 8 percent color cosmetics growth. She cited the hottest trend she's seen this year—the matte look.

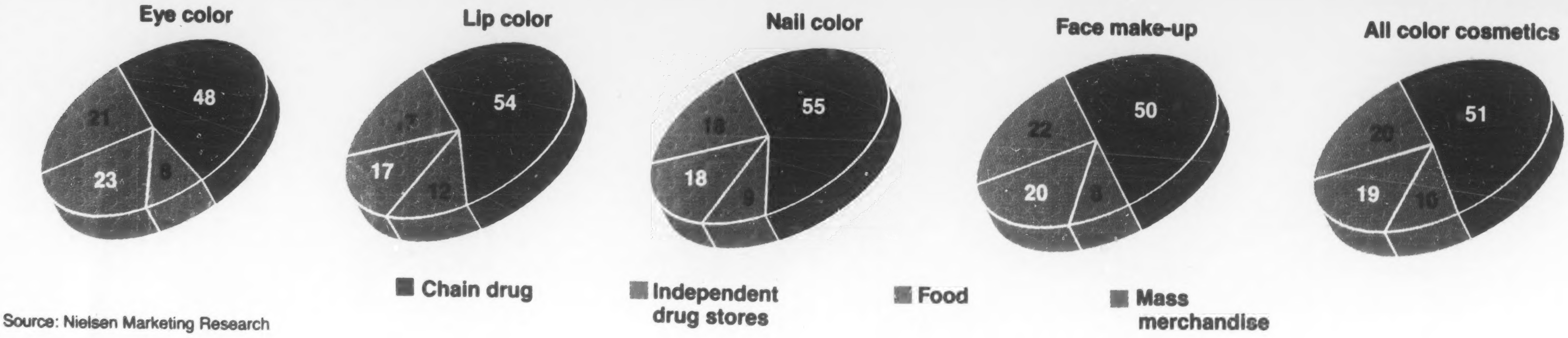
An influx of new products has helped propel cosmetic sales in chain drug stores, and made it more important than ever to have trained sales people in the store to answer customer questions.

Color cosmetic sales in chain drug stores
(in millions)

Trade classes	1989	1990
Eye make-up	$236	$240
Lip make-up	220	245
Nail color	137	149
Face make-up	297	330
All color cosmetics	890	964

Source: Nielsen Marketing Research.

Color cosmetic sales by trade class
(Percentage share, 1990)



Source: Nielsen Marketing Research

Eye cosmetics get big push from new products

Perhaps the best new item to emerge in eye cosmetics this year is L'Oreal's new Plenitude Eye Defense. Buyers and merchandisers such as Bartell's Colleen Pierce reported it is "blowing out the doors;" some sources said it may wind up as the best cosmetics launch for the year.

"We put it in both cosmetics and toiletries, and it's really blowing out the doors," said Pierce, who also calls Eye Defense "the best treatment product I've seen in a long time." One store moved 60 pieces in two weeks, she said.

"Eye Defense is phenomenal," said Austin's Janice Jacobs. "We can't keep it in stock."

"When store managers start noticing an item and calling in to reorder it, you know it's good," said Genovese's Stephanie Hayter, who reported that she's had managers call up and order 60 to 75 pieces of Eye Defense.

Revlon's new packaging for its eye care lines has been well received by consumers, most chains reported.

In Seattle, Bartell sold out within a few weeks of the first shipment. The chain is back in stock now, and Pierce said everything in the line is still selling well, and the quad- and single-pan shadows are doing exceptionally well.

"When they first shipped, we had the quads for two days and they were gone," she said.

Eye shadow is one of those categories getting mixed reviews.

Differences of opinion

Some chains reported "nothing very exciting happening," while others said the Revlon and Cover Girl shadows were doing particularly well. Revlon's quad shadows received the most favorable mentions. Its single shadows and the Cover Girl single shadows were both mentioned as selling well.

Some buyers really liked the new Visual Eyes singles from Max Factor. One source said the packaging was excelling because the color really stood out.

In mascaras, Max Factor's 2000 Calorie is still doing well. L'Oreal's Splash Out is selling very strong, and since it's a waterproof mascara, most buyers expect it to continue to do well throughout the summer.

Many buyers reported that the new waterproofs are particularly hot right now, and they feel the category will remain strong at least through the summer.

Max Factor's Splish Splash was selling "OK" for most chains, while some chains were reporting growing movement on Almay's new waterproof mascara line.

Most chains reported that L'Oreal's Lash Out is still their number one mascara, but there's a lot of competition out there now, and that has caused Lash Out's sales to soften in some chains.

Max Factor's 2000 Calorie mascara is still "picking up tremendous momentum," as one buyer put it. Almay's mascaras are doing well.

Price-point promotion

This year, L'Oreal and Almay are doing price-point promotions that are making the mascara category even more dynamic. Austin Drug took the tower displays that both companies provided and gave them alternative locations in areas like the pharmacy department, and Jacobs reported that sales were "phenomenal."

She said they tested some 300 to 400 pieces of Almay mascaras in one store and they sold through 50 percent in two weeks. But, she also noted, the test store enjoyed particularly high volume in pharmacy.

Having Lash Out at a $2.99 price point when it normally sells for $4.19 and Almay mascaras also at a discounted price really "spurred business," Jacobs reported.

In some chains, buyers said that all the promotional activity for Lash Out was slowing their wall business somewhat. However, they also reported that the Lash Out pre-packs were blowing out, so the wall situation was understandable.

Revlon's new low-end mascara line, Impulse, is doing real well, and without cannibalizing sales from the higher-end Revlon mascaras.

"We merchandise Impulse uncarded and it's really selling well," Jacobs said. "The $3.95 price point helps.

"But we're still selling the higher-end lines like Super Lustrous. There's no negative reflection on the higher-end lines because of the price points. The people who use higher-end lines aren't trading down. Impulse has just helped us get a new kind of customer into our stores; new prospects."

"A lot of people like the Revlon impulse mascaras," said Genovese's Stephanie Hayter. "They all seem to be selling, and I'm not seeing any effect on the Revlon higher-end mascaras because of their success."

Bartell Drug has helped stir up interest in eye color by advertising lines like Impulse three or four times a year, Pierce said.

Static eye color sales

With all the activity going on in eye color, Maybelline's sales have basically been static. Most cosmetic buyers reported that Maybelline's eye color cosmetics are not showing dramatic growth, nor are they declining. Sales, buyers noted, are basically stable. One buyer said that while Maybelline has brought out some good new items recently, it hasn't done a lot to call attention to them.

In the past, eye pencils were a consistently good growth area, but this year a few chains reported that their sales of eye pencils have slowed down somewhat. Whether that's a trend or an aberration isn't clear yet.

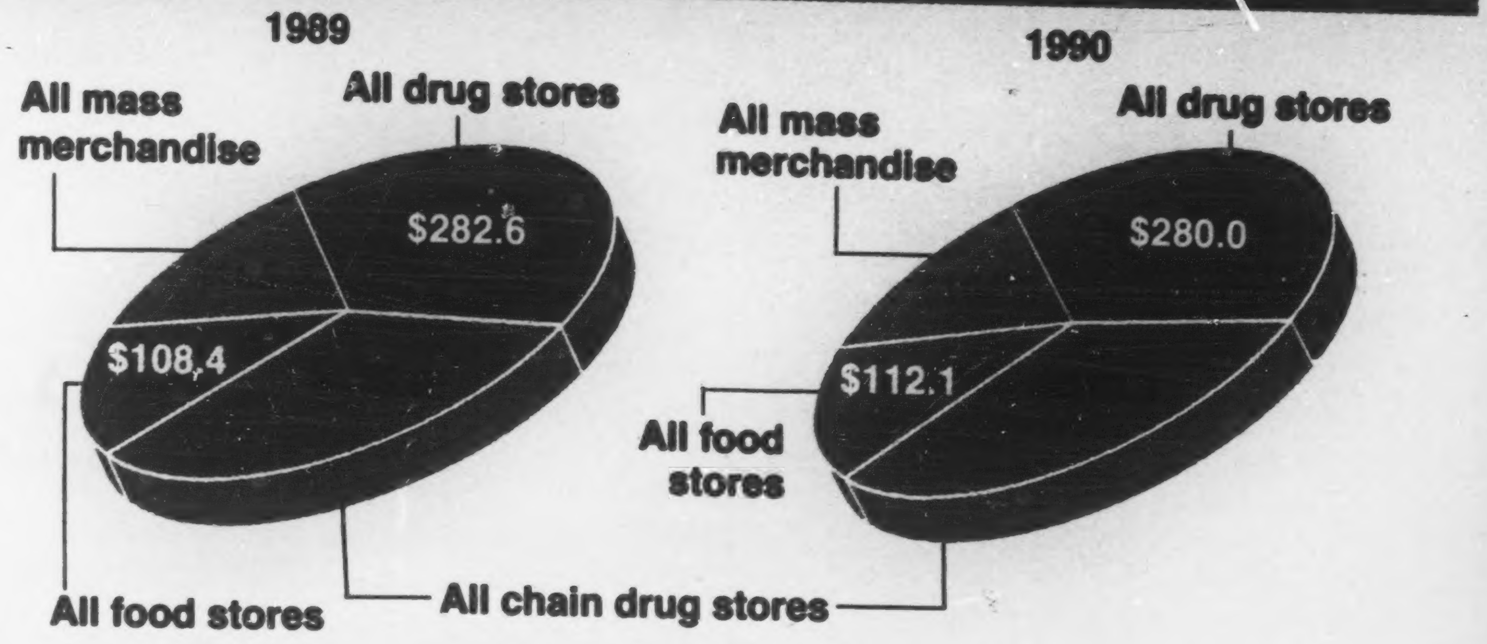
Some buyers said the eye lash category was "picking up."

"Lashes have always been a small but steady base, with some women confirmed users, but now it's growing and I can't say I know who's buying them or why," said Jacobs.

Ardell is the brand that sells best in most chains, buyers said. At Halloween, several buyers added that they did very well with an Ardell seasonal promotion that also included colored hair sprays, nail tips and eye lashes.

> 'L'Oreal's Plenitude Eye Defense is phenomenal,' said Austin's Janice Jacobs. 'We can't keep it in stock.'

Eye color cosmetic sales
(in millions)



Source: Nielsen Marketing Research.

> Austin Drug took mascara tower displays to alternative locations like near the pharmacy and saw phenomenal sales.

Fragrance sales continue to grow

Trade classes	1989	1990
All drug stores	$391.1	$393.1
All chain drug stores	314.5	321.7
All food stores	113.2	115.9
All mass merchandise	144.1	152.8

Source: Nielsen Marketing Research.

Trade classes	1989	1990
All drug stores	$671.5	$715.3
All chain drug stores	534.2	576.7
All mass merchandise	83.0	96.6

Source: Nielsen Marketing Research.

Trade classes	1989	1990
Women's fragrances	$534	$577
Men's fragrances	315	322
All fragrances	849	899

Source: Nielsen Marketing Research.

Ethnic makeup's doing well across the board

Shades of You, Maybelline's new darker complexion line for ethnic consumers, is doing very well for the short time it's been out.

At Bartell Drug in Seattle, Colleen Pierce said Shades of You is selling extremely well, and not just in ethnic neighborhood stores. She said that Caucasians are buying a lot of Shades of You too, and she has the line in two stores that are located in upper-income white neighborhoods.

"I'm real pleased with Shades of You," she said. "Everybody's buying it—Caucasians, Asians, everyone.

"The cream makeup and the fluid are definitely better in ethnic neighborhood stores, but the lip and blush can be used by anybody."

Its own complete line

To reinforce the impression that Shades of You is a complete line in its own right, separate from the Maybelline lines, Bartell has followed Maybelline's recommendations and is merchandising Shades of You away from the traditional Maybelline family.

In the eight stores that now stock the line, it is adjacent to Coty and Bonne Bell, and it's presented as its own "all-around line."

So far, the strongest launch in face cosmetics this year seems to be L'Oreal's new Hydra Perfecte, which has treatment benefits in the formula.

Hydra Perfecte, like Eye Defense, was consistently named as a hot seller. Some chains reported that two to three weeks after stores received the initial shipment, they were reordering.

"Hydra Perfecte is a take-off of Lancomb," explained Janice Jacobs, Austin Drug's cosmetics buyer. "The concept is treatment with makeup, and it's done very, very well for us."

Other sources described Hydra-Perfecte as "great."

Sitting there

Revlon's new Spring Water Makeup got mixed reviews. Some chains said it was just "sitting there" with nothing dramatic happening, while some buyers said it was doing either OK or very well for them.

However, Revlon's New Complexion Makeup is continuing to do very well, according to the buyers interviewed.

Cover Girl's face makeups are continuing to be strong, steady sellers, but no one reported anything dramatically new or exciting here.

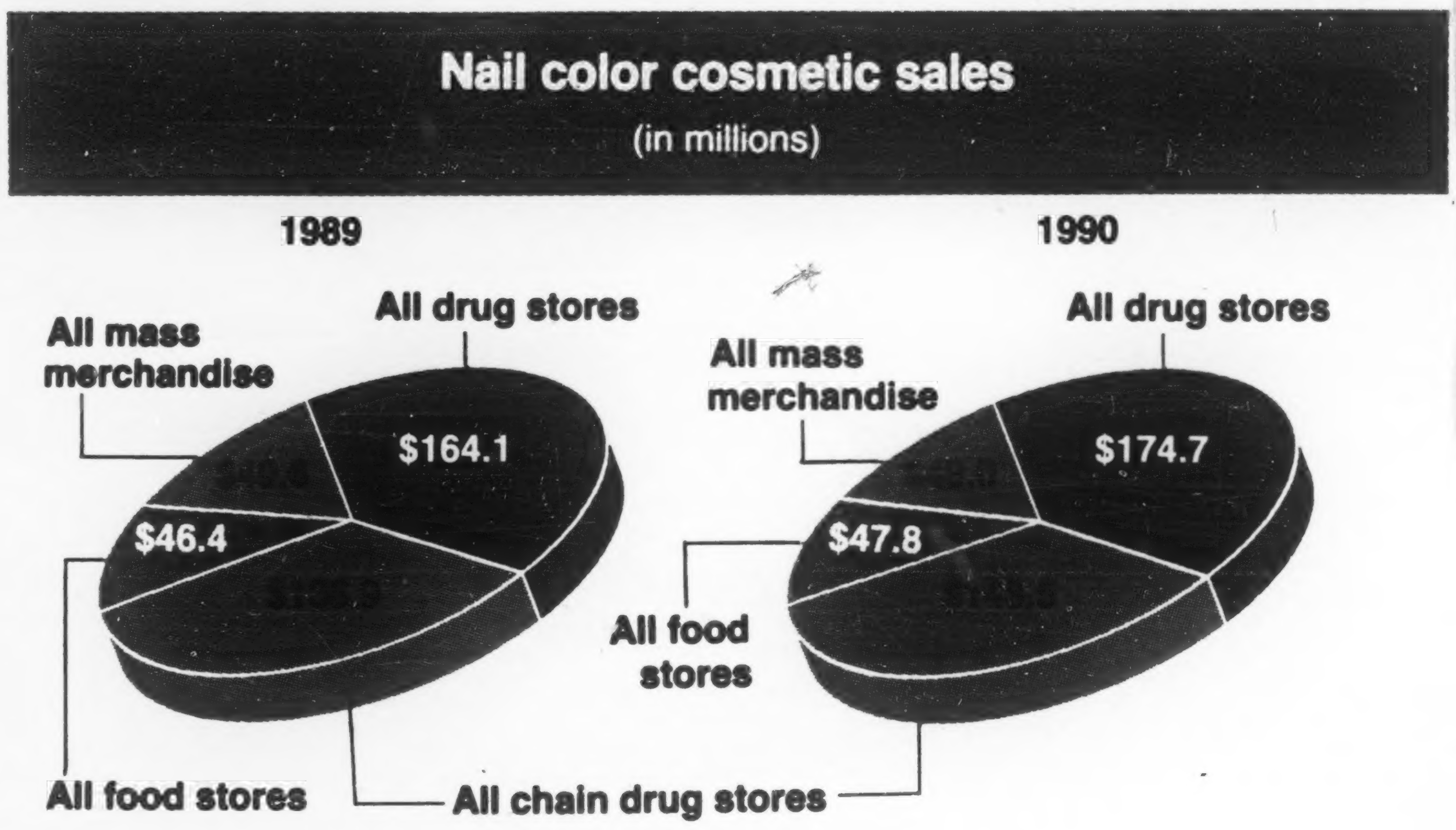
In some chains, buyers reported a slowing down of Almay face and skin care sales, a problem that one source attributed primarily to problems with the Almay sales force. The coverage, she said, was poor, and no one was coming in to reorder, so they were losing sales opportunities.

Other sources said their Almay sales remain good; "a strong basic, everyday business," as one source put it.

Physicians Formula seems to be getting stronger, a fact one buyer attributed to the development of "a pretty strong sales force." Most buyers who carry the line said it was doing very well for them, particularly with the treatment and face makeups.

Bartell's Pierce reported that the sales force in the Seattle market was giving a lot of push to Physicians Formula, and that their detailing of doctors and dermatologists was excellent.

Many buyers also said they were doing "great" with Max Factor's New Definition Makeups: the foundations, blush, and other components of the line like the eye and lip makeups.


Nail color cosmetic sales
(in millions)

Source: Nielsen Marketing Research.

The natural look dominates in lip cosmetics category

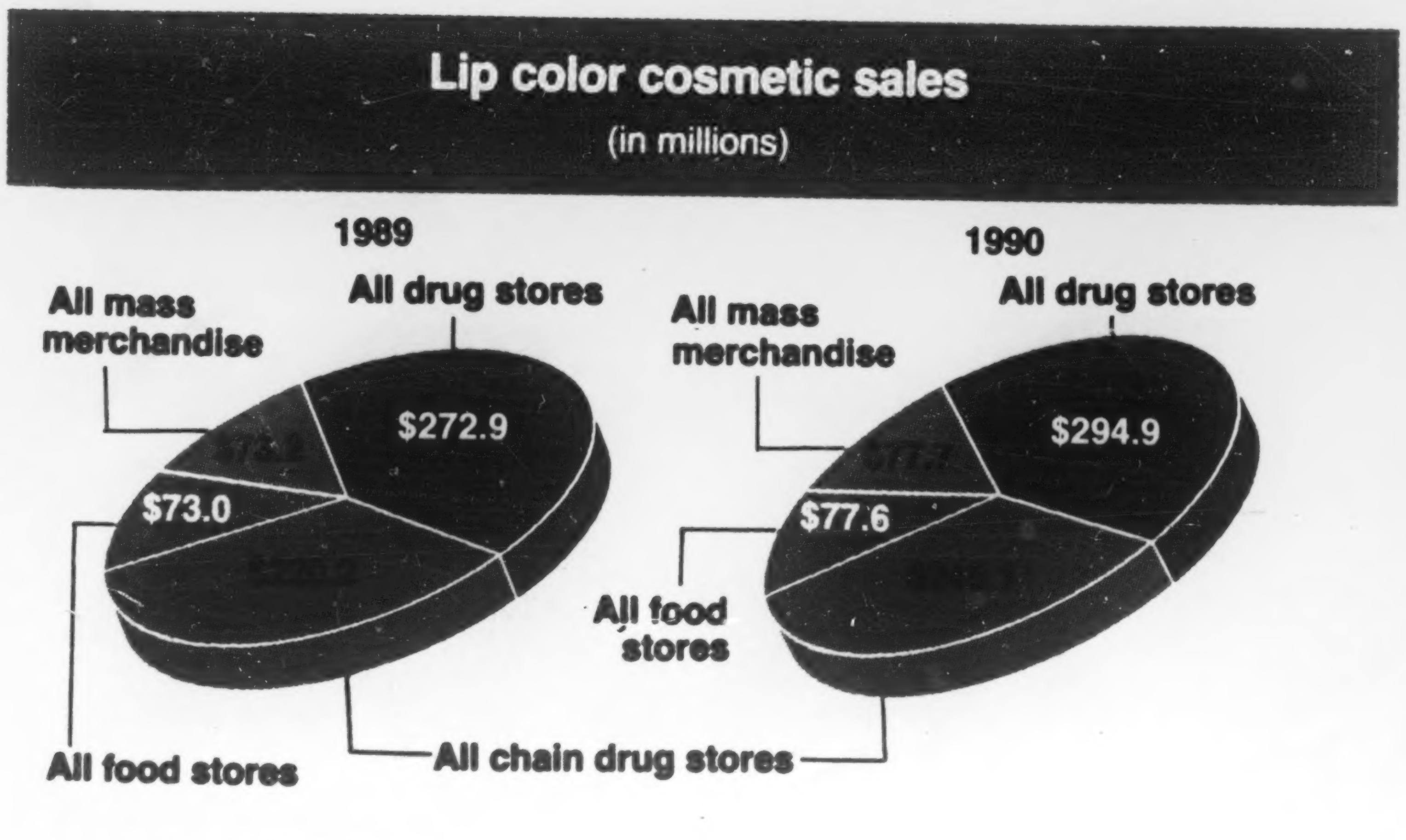
In lip cosmetics, the natural look still seems to be dictating color selections. Several buyers said that they see their customers "changing over from strong, vivid colors to a more neutral, natural look."

Every buyer interviewed said that lipsticks formulated to provide "longer, truer coverage" like Colour Supreme and Velvet Touch were all doing well.

Max Factor's New Definition lipsticks were also consistently mentioned as top sellers.

At Bartell, both lip treatment and lip color products are showing good growth; buyer Colleen Pierce estimated that total category sales may be up as much as 10 percent.

Revlon's sheer colors in the Velvet Touch line are doing exceptionally well, as are L'Oreal's Colour Supreme and the Max Factor New Definition lipsticks.


Lip color cosmetic sales
(in millions)

Source: Nielsen Marketing Research.

The matte shades in Velvet Touch and Colour Supreme have done well, and now new frost shades are being added to round out the line.

Although many buyers said that matte will always be a bigger category because the subtler shades seem to appeal to a broader base of consumers, they added that there will "always be a market for frost colors too," so the general expectation is that these newer collections will do reasonably well.

"We've been missing the consumer who is a frost user, and now we're going to correct that," said one source.

Cover Girl has also just repackaged its lip color; at press time, it was just getting into the stores.

The general consensus among buyers was that the package was "real nice and compact," and that with the Cover Girl advertising clout behind it, it should do real well.

Some buyers said they wish Noxell would relent and give them markdown allowances on the old packages, but they said the position of Noxell's management is that the line is so strong the old packaging will sell itself out.

Bonne Bell has also repackaged its lipsticks, and reports are that this relaunch is also doing very well. Its Lip Smackers are hot, and it has a new roll-on gloss and a new matte that looks promising.

Some sources reported that the uncarded Bonne Bell lipsticks are moving much faster than the carded ones. This is from some chains that switched from the carded to the uncarded packages in the last few months.

Del Labs pre-packs of Natural Glow lip glosses have also sold well, according to buyers for the chains that have them.

Some buyers also singled out the Maybelline Shades of You lipsticks and said they also were selling very well; in some stores, they were actually outselling the Shades of You makeups.

Cover Girl's Lip Advance is also continuing to maintain "strong, steady movement," buyers reported.

At Bartell, buyer Colleen Pierce estimated that total lip category sales may be up as much as 10 percent.

Strong organizer sales spur creative merchandising

The cosmetics organizer category continues to be one of the strongest growth segments in chain drug stores.

Some chains like Austin Drug, Snyder Brothers and Drug Emporium have tried to be very creative in merchandising accessories, often creating departments as large as 12 to 16 ft. for the category.

Austin, for example, merchandises its accessories on glass shelves to create a department-store effect. Bath items are also in this set, but the large cosmetic organizers from Caboodles or Sassaby's can't be merchandised here because they're too heavy.

Fragranced home accessories like L'Effleur or Claire Burke are also often in this set, where chains like Austin and Drug Emporium report good sales. L'Effleur, in particular, has been a stand-out launch.

All the buyers polled said that L'Effleur was selling great, and some attributed that to the Victorian packaging which is very appealing to women. Others also reported the fragrance was excellent, and some said part of the success was due to the line's "reasonable prices."

Organizers expanding

Caboodles is also a very hot line. It did well at Christmas for every chain interviewed, and many buyers are starting to expand their cosmetics organizer assortments by bringing in all or parts of the new Sassaby's line.

Caboodles doesn't offer the smaller jewelry boxes that Sassaby's stocks, so some buyers are experimenting with Sassaby's by cherry-picking pieces of its line, like the jewelry boxes.

Space is a problem with the organizers because they're so bulky. However, buyers with small stores in the 6,000-to-8,000-sq.-ft. vicinity are finding homes for organizers either on ends or in line in the cosmetics accessory department near cosmetic bags and other accessories like vanity trays, mirrors, brush holders, etc.

Some chains with stores averaging 12,000 to 15,000 sq. ft. and more are creating more expanded sets for organizers as a category inside accessories.

Prestige Place by Celebrity; Paris Presents travel-size containers, vanities, etc.; and Trina cosmetics accessories were frequently mentioned as strong growth lines in accessories.

One buyer said that in recent months, perhaps because there have been some corporate changes at Trina, their bags have gotten "even better."

At Genovese Drug, Stephanie Hayter reported that the Paris Presents accessory lines are doing very well.

"Their mirrors, brush kits, etc. fill a niche no one else is filling," she said.

She credited Paris Presents with starting the travel accessory category, and said that the new High Tech accessories are doing very well. Her customers like the look well enough to spend $1.69 for a soap dish.

Revlon's implement lines—nail-, hand- and foot-grooming implements—also do well, several buyers said. One source said the higher-ticket implements sold best when they're advertised.

Bartell Drug advertises Revlon implements at 50% off twice a year, and its sales really surge when consumers see the value of the promotion.

Dual merchandising

This year there are some new types of items out that give chains dual merchandising opportunities. Teeth whiteners, for example, could go in cosmetics or in dental or in both areas.

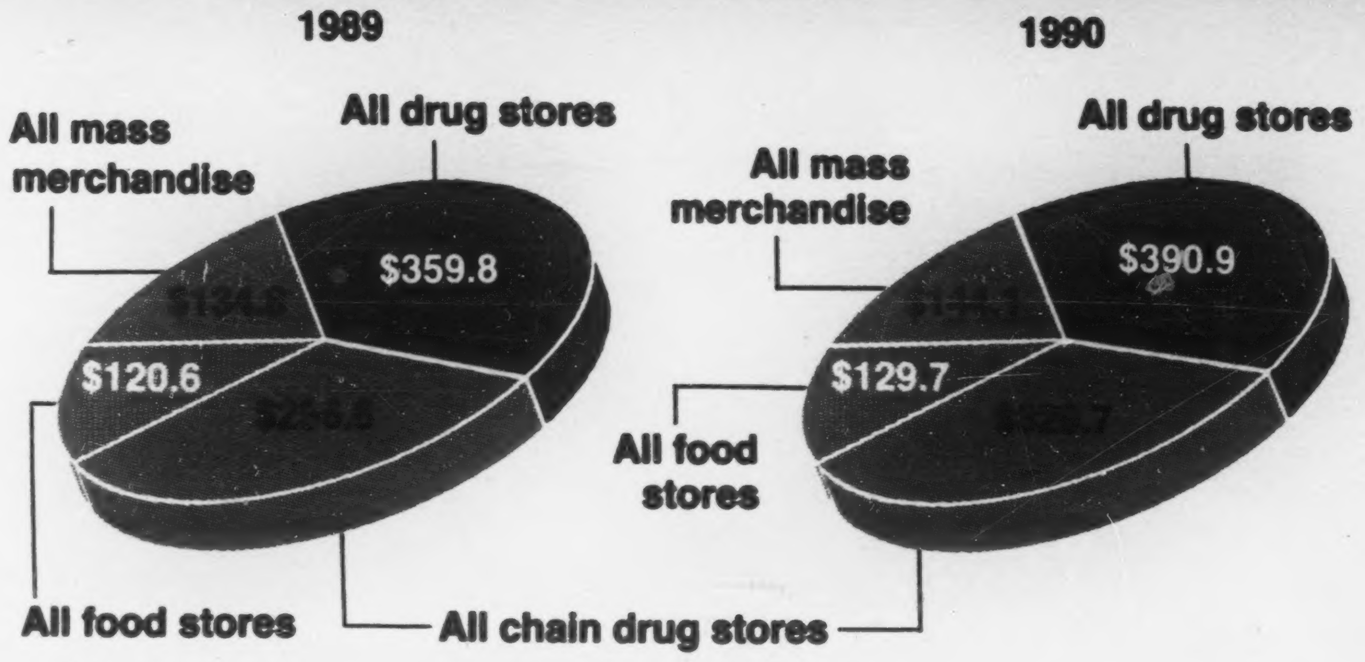
Most of the chains interviewed said they haven't created a "place" for tooth whiteners yet in cosmetics, but some said they were considering testing it in a cross aisle near cosmetics.

That location could be acceptable, Janice Jacobs at Austin explained, because many chains have their H&BA and cosmetic aisles very close together.

Conair also has a new item out, a sonar facial called California Facial. It's an appliance with a relatively high ticket, ranging between $79 and $99. Most of the buyers interviewed felt it really did belong in the appliance section.

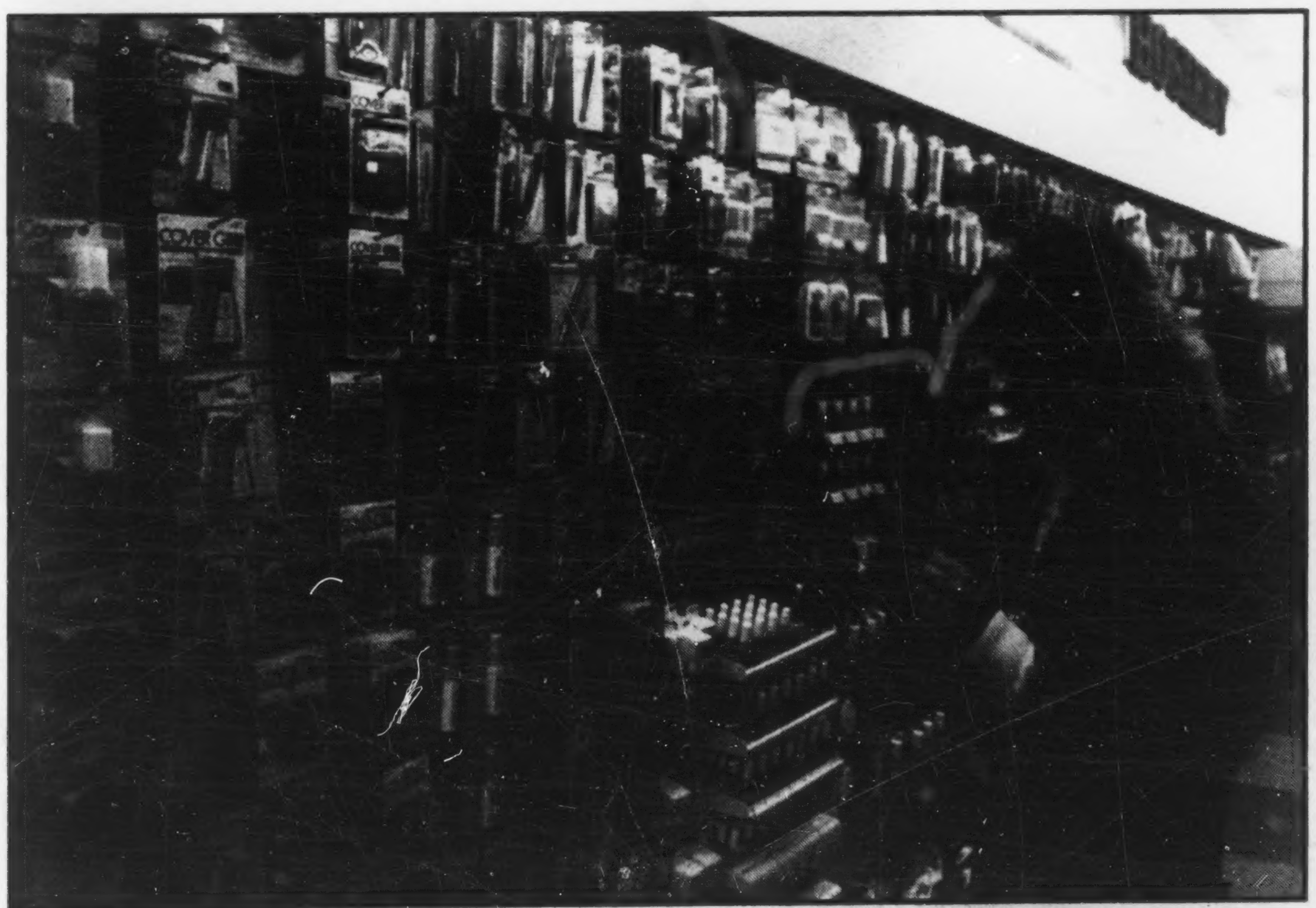
"A customer is usually pre-sold on a product like that before they get to the store," said Jacobs. "It's not a high impulse purchase, so it wouldn't make sense to put it in cosmetics."

Face make-up color cosmetic sales
(in millions)



Source: Nielsen Marketing Research.

Some chains like Austin Drug, Snyder Brothers and Drug Emporium have tried to be very creative in merchandising accessories.



Space is a problem with the organizers because they're bulky. Buyers with small stores find homes for organizers either on ends or in the cosmetics accessory department.

This year there are some new types of items out that give chains dual merchandising opportunities.

The newspaper of drug store retailing

June 24, 1991

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Gallup '91

EXCLUSIVE REPORT

Fragrances, lotions offer smooth sale-ing for drug store growth

The newspaper of drug store retailing June 24, 1991

DRUG STORE NEWS®

Vol. 13 No. 12 A Lebhar-Friedman publication

LATE NEWS

•TWINSBURG, Ohio — Revco D.S. and parent Anac Holding filed plans of reorganization with U.S. Bankruptcy Court June 7, heralding a possible end to nearly three years of Chapter 11 protection. The plan calls for suppliers, banks and bondholders to swap all claims against Revco for a combination of cash, new debt and substantial equity in the company.

FEATURES

Core GM packs sales wallop

General merchandise takes the stage as the best supporting actor in drama of drug chain retailing. Page 71.

Snyder finds the right Balance

Snyder Drug hits the right balance with its new tabloid-size newspaper filled with health information. Page 28.

SECOND CLASS

Lasseter exits, Beattie Super D ceo

By Susan Ball

MEMPHIS — Don Lasseter has left Super D Drugs, where he was chairman and ceo, and Henry Beattie, formerly cfo, has been named to replace him as ceo, Super D has confirmed.

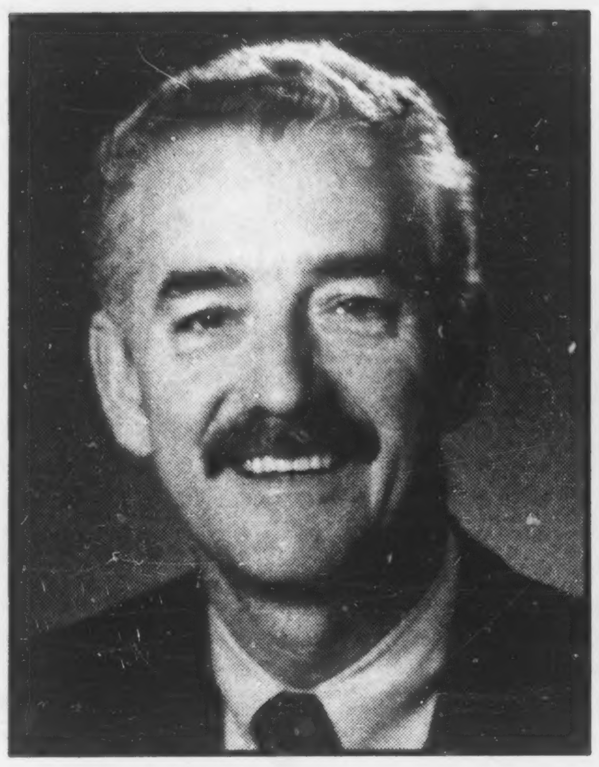
Jerry Treece, president of the 127-store chain, will also serve as chief operating officer, he said in confirming that Lasseter left Super D in May to pursue other interests. Lasseter could not be reached.

Lasseter, a pharmacist, spearheaded a buyout of Super D's stores from grocery wholesaler Malone & Hyde in 1988. At a store reopening a few months after the buyout, Lasseter said Super D would pursue a three-pronged growth thrust: expanding its franchising program, pursuing company-store growth and expanding Ike's, its deep-discount arm.

The chain currently operates 127 stores, of which 114 are Super Ds, about four are Ike's and the remainder are Petty's Apothecary stores. The company ranked 27th in 1990 dollar volume among the top 50 drug chains listed in *Drug Store News'* May 6 issue, *Annual Report Part II*, with 1990 drug store sales of approximately $180 million. It was ranked 23rd in store count for 1990.

In the fall of 1989, Treece, a longtime Walgreens executive, was named president of Super D, a position Lasseter had held in addition to being chairman and ceo. At the time, Lasseter said he had "actively recruited" Treece and praised him as an experienced operations and merchandising person who could help build the front end of the stores, which had traditionally been less emphasized than pharmacy at the pharmacist-dominated chain.

Lasseter also said the appointment would free him up for other duties. "I'll be more involved in running the company, in setting strategies and concepts," he said at the time.



Treece

Lasseter

Two chains in turnaround

Perry hits record second qtr. net

PONTIAC, Mich. — In a convincing demonstration that its rebound is for real, Perry Drug Stores reported the highest second-quarter net earnings in the company's history for the period ended April 30. The gain sustains an earnings upswing for the nation's 16th-largest drug chain following a $6.2 million loss in fiscal 1990.

Perry earned $1.1 million in the second quarter, a gain of 82 percent over the same period a year earlier.

Net income for the first six months was $2.6 million, compared with a loss of $3.2 million for the first half of 1990.

"We indicated in the first quarter that we were encouraged by results," said Perry chairman and ceo Jack Robinson. "Based on the second-quarter

See **Perry** *page 8*

Big B buoyed by profit hike

BESSEMER, Ala. — Buoyed by its second consecutive quarter of strong earnings following a loss in fiscal 1991, Big B announced the reinstatement of its 4-cent quarterly dividend at the company's annual meeting May 28.

The decision to restore the dividend was based on two strong quarters of sales and profits as well as a positive outlook for the remainder of the year, according to company president Anthony Bruno.

Net profits in the first quarter ended May 11 rose sharply to $1.9 million compared with earnings of $395,000 for the same period last year, Bruno told shareholders. Sales were up 8 percent for the period to $132.7 million, he said, despite the closing of six underperforming stores during the quarter.

See **Big B** *page 8*

Bay area drug competition gets white-hot

By James Frederick

First of a two-part series

COLMA, Calif. — Hanging over the densely stacked aisles of the Drug Barn store in this suburb south of San Francisco is a fitting symbol of the new era in Northern California retailing. It is a huge overhead banner proclaiming everyday discounts of up to 50 percent.

Across the San Francisco Bay in suburban Walnut Creek, the Longs drug store closest to headquarters has taken a similar tack. The "Cadillac of drug stores" is now sprinkled throughout with shelf tags that shout low prices and unadvertised specials.

The signs that fill the market's first deep-discount drug store and its best-established chain drug stores used to be an anomaly in the once-quiet, well-defined world of Bay Area drug store retailing. Now, with their clarion call to lower prices, they symbolize all that has happened in this massive population center, and all the changes that are still to come.

Northern California drug retailing is quickly evolving from a state of friendly rivalry into a furious battle for turf. Traditional pricing patterns and traditionally high gross margins are under assault as never before.

Caught in the middle, as usual, are the handful of independents that remain here, and any retailers still sleeping at the wheel. Those that can't adapt quickly--with technology, lower operating costs, better dealmaking abilities, lower prices and real customer service--aren't likely to make it through the gauntlet of the 1990s.

Two major forces are scrambling consumer loyalties and retail strategies here. One is the rapid influx of new drug, combo and discount stores; the other is an economic slowdown that forced consumers into retrenchment and curtailed bank lending for new retail development.

"This is the first time in my 30-year career that I've had to

See **Competition** *page 8*

NEWS IN BRIEF

Medis signs letter of intent with SCOA

MONTREAL — Medis Health and Pharmaceutical Services, a McKesson company based here, has signed a letter of intent with SCOA S.A., an international conglomerate, to negotiate a merger of the Quebec operations of Groupe Pharmaceutique Focus and Medis.

Medis is Canada's leading pharmaceutical distributor, with annual sales of about $1.3 billion.

Focus, via its Distribution Pharmacies Universelles subsidiary, distributes pharmaceuticals in Quebec and has annual sales of about $283 million.

Moore Medical reports record sales

NEW BRITAIN, Conn. — Moore Medical Corp. announced record sales of $84.3 million for the first quarter of 1991, a 13 percent increase over the prior-year period.

Net income for the quarter was $257,000, versus $168,000 in the comparable period last year. Income from continuing operations declined to $162,000 from $398,000.

"Low gross margins on brand-name pharmaceuticals have depressed operating margins, resulting in a drop in income from continuing operations compared with the first quarter of last year," explained Mark E. Karp, president and chief executive officer.

Perry: ethnic HBA retailer of year

PONTIAC, Mich. — Perry Drug Stores has been named the American Health and Beauty Aids Institute's 1991 Retailer of the Year.

Perry Drug was cited for "its numerous contributions and strong commitment" to ethnic health and beauty aids marketing and merchandising.

The award was presented at AHBAI's Mid-Year Business Conference in Hilton Head, S.C. earlier this month. Perry president and chief operating officer Dave Schwartz and group vp-merchandising Steve Lund accepted.

Perry also recently received Chattem Consumer Products' Pyramid Award, and was cited by the Detroit City Council for its Doo-It-Up annual hair styling arts competition for Detroit high school students.

L to r: Eric Johnson, president, Johnson Products; David Schwartz, president, Perry Drug Stores; Jory Luster, president, Luster Products.

Phar-Mor seeks ad agency proposals

YOUNGSTOWN, Ohio — Phar-Mor is mulling an overhaul of its advertising strategy, and is shopping for proposals from ad agencies after a six-year relationship with its current agency, Ketchum Communications. Ketchum has been invited to participate in the bidding.

"We've been with the same agency since 1985, and we're just seeing what's out there at this point," said a Phar-Mor spokesman.

"We are encouraged by progress during the past few months toward the sale of West-ward, our manufacturing subsidiary."

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Europeans get another one: Quintessence to Benckiser

SPECIAL REPORT

CHICAGO — European companies have begun to invest in American beauty care businesses, raising such questions as how serious they are about beauty care and what they're willing to invest to build mass market business.

At press time, the German company Joh. A. Benckiser GmbH was in the process of completing its acquisition of the $100 million Quintessence Holdings, based here.

Reports were circulating that three of Quintessence's top executives will soon leave the company: chairman Barry Shipp; president Joseph Aramanda, and senior vp-corporate sales John Small.

Victor Zast, formerly senior corporate vp-marketing, will become vp-marketing, and Sean Greene, former vp and general sales manager-Jovan, will become vp-sales, speculate sources familiar with the company. They also say that Mort May will remain as vp-finance. All three men will probably report to Dr. Thomas Bonoma, Ph.D., who is president of Benckiser's Consumer Products Division in Greenwich, Conn.

Benckiser has been artfully described as the P&G of Germany, and its acquisition of Quintessence in some ways resembles P&G's recent acquisitions here, most recently Max Factor, which has a strong presence in overseas markets, and its earlier takeover of Noxell, parent of Cover Girl, Clarion and Navy.

The overriding question is will Benckiser do for Quintessence what P&G has been doing for Cover Girl: give it the corporate support to stand out in its categories.

Or will it do what Unilever has been doing to Prince Matchabelli recently: cut back on advertising mass brands in order to spend more heavily on department store brands.

A source for Benckiser said it is still "too soon to talk about plans and future strategies, including any possible moves or management changes."

However, Allan Mottus, an industry consultant, points out that European companies have a strong history of investing in their brands.

Besides Unilever's investments in its department store brands, he notes L'Oreal's huge investments in skin care; Beiersdorf's investments in skin and sun; Colonia's investments in its department store lines and growing interest in mass market brands; the Japanese conglomerate KAO Corp's commitment to Jergens; and, most recently, Tsumura International's investments in its American brands in mass and department stores, including the Sante Fe and Pierre Cardin fragrances just acquired from P&G.

Benckiser does seem to have what one source familiar with the company called "deep pockets."

Benckiser owns many No. 1 brands—following steady and aggressive acquisitions.

Although Benckiser has not released its purchase price for Quintessence, the transaction was reportedly made without the help of investment bankers, suggesting that the $2.2 billion conglomerate with 70 subsidiaries in 30 countries does have the cash it takes to investment spend.

Benckiser seems to be serious about wanting to become a worldwide force in the cosmetics/fragrances category. Although Benckiser, like P&G, is primarily known as a household products company, Mottus says its cosmetics and fragrance brands do well overseas. "They own the cosmetics market in Germany, and are strong in Spain, Italy and South America. Joop! is one of the hottest brands in Germany right now," he said.

"And remember, the United States represents about one-third of the worldwide market in cosmetics, so a company has to have a very strong U.S. presence or they won't be as strong worldwide as they could be."

Just prior to the Quintes-

Continued on page 8

McKesson/Wal-Mart linked by EDI

SAN FRANCISCO — McKesson Drug announced that its electronic data interchange (EDI) link with Wal-Mart Stores has been completed.

McKesson now transmits all billing statements electronically directly to Wal-Mart, computer to computer, the wholesaler said. Wal-Mart selected McKesson as its prime vendor for prescription drugs and selected HBA in August 1989.

"EDI is the method of the future, as we strive to reach a paperless society," said John Meyer, Wal-Mart's senior pharmaceutical buyer. "It saves time, manpower and paper and reduces human error."

McKesson said it is working with Wal-Mart on additional EDI enhancements.

Tom Simone, who was named McKesson Drug's new president in February, said the number of Wal-Mart stores with pharmacies that McKesson serves has grown from 850 to 1,141 over the past 20 months. Of the approximately 300 additional stores, about half are new units and half are existing Wal-Mart stores that have added prescription departments, Simone said.

McKesson also handles bulk sales of pharmaceuticals to Wal-Mart's distribution centers, and all 1,141 stores use Economost, McKesson's electronic order-entry system, he added.

NACDS' Ziegler honored by RDI on June 15 in San Diego

ALEXANDRIA, Va. — Ronald L. Ziegler, president and ceo of the National Association of Chain Drug Stores, is to be honored June 15 as 1991 Man of the Year by the Retail Drug Institute (RDI) of the Arnold & Marie Schwartz College of Pharmacy and Health Sciences of Long Island University.

Proceeds from the dinner, scheduled to be held at the Marriott Hotel & Marina in San Diego during NACDS Marketplace, will help establish a fund to endow an NACDS-Richard L. Cohen professorship in pharmacy administration at Schwartz.

Richard Cohen, who was the son-in-law of Stewart Turley, chairman and president of Jack Eckerd Corp., died in an automobile accident in 1989, leaving his wife, Carol Turley Cohen, and a son, Seth, now 3½ years old. Cohen grew up in Brooklyn and Queens, N.Y., and attended New York State University at Buffalo. He was a film producer and director and a member of the Directors Guild.

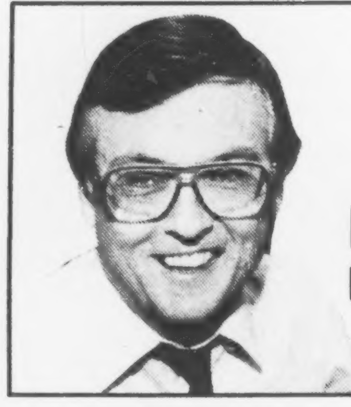
RDI is an academic and service unit of the pharmacy college that offers scholarships and certificate and continuing education programs toward preparation of students and practitioners for entrepreneurial and management roles in retail pharmacy practice areas.

Cover credits

Cover photos for this and the June 10, 1991 DrSN Gallup Report issues: Photographer: Stan Fellerman; model: Tracey Morton; makeup: Lauren Cole

Another big pitfall of mandatory Pharm.D

NACDS is waging a strong and laudable campaign to block an effort to require the six-year Pharm.D as the entry-level degree for pharmacy practice. The association has assembled some clear, and in my opinion, irrefutable arguments in making its case. The most persuasive: the severe impact that a mandatory six-year degree would have on the already difficult pharmacist shortage.



IN THE MARKET
BRUCE BUCKLEY

In its latest Executive Newsletter, NACDS weighs in with another telling point: the effect that a six-year requirement will have on women, minorities and the poor. Retaining the five-year degree, the association says, offers the best opportunity for members of these groups to enter a rewarding profession.

The association cites statistics showing that pharmacy has become an increasingly attractive choice for groups that, on the whole, have long had fewer career options and less chance for advancement. Women, for example, now comprise almost 62 percent of the students enrolled in the nation's pharmacy schools. Minority group members (including African Americans, Hispanics, Native Americans and Asian Americans) make up almost 20 percent of pharmacy school enrollment.

A mandatory six-year degree, with its higher educational costs, will put a damper on the growing enthusiasm of these groups for careers in pharmacy, says the association. A big loser, of course, would be retail pharmacy, the largest employer by far of the country's pharmacists.

* * *

The recent brouhaha over market share figures in the Greater Detroit area points up the difficulty that outside research firms have in assembling an accurate picture of the relative standing of retail companies in individual markets.

It also demonstrates how sensitive retailers are to reported numbers. When Metro Market Studies showed that Arbor Drugs had overtaken Perry in metro Detroit, Perry execs saw red. They quickly released sales figures for the seven-county market which they said put Perry three points ahead of its nearest drug store competitor, which, of course, is Arbor.

Two observations on the Detroit flap. First, *Drug Store News* has occasionally used Metro Market Studies as a market share source for various articles because it is the only objective outside firm we're aware of that publishes these figures. We do, however, examine the numbers closely in the light of our own knowledge of these markets.

Second, the fierce rivalry for market share in Detroit makes better retailers of all the players there. The beneficiary is the consuming public.

* * *

What a conversion! I've become a "voice mail" fan. I used to hate those recorded messages when I dialed business offices. Couldn't they get a real person to answer the phone? Often I just hung up.

Now *Drug Store News* has a new phone system that includes a voice-mail feature, and I have to report: It's great. No more lost messages buried under a ton of press releases. No more messages delivered two days after the call ("Sorry, I forgot.")

Now I'm getting my messages on time and returning calls immediately (Try me: my new direct number is 212-756-5227. I'd like to hear from you).

A complete list of *Drug Store News* direct lines is on page 1. I hope the change will improve our service to you, our readers and customers.

Committee raises hackles with FDA picture

A little more than a year ago, the Food and Drug Administration hit rock bottom.

Repeated funding cuts by Administration penny pinchers had eroded the agency's enforcement muscle, while the deepening generic drug approval scandals sapped FDA's will and destroyed staff morale.

Health and Human Services Secretary Louis Sullivan appointed ex-FDA Commissioner Charles Edwards to head a blue-ribbon advisory panel to study the agency's problems and recommend solutions.

WASHINGTON PERSPECTIVE
KEN RANKIN

No big deal. Here in Washington they form special advisory panels every ten minutes or so. Bureaucrats and politicians love these study groups because they're a way to delay painful but inevitable change.

In the case of the Edwards Committee, however, the Washington bigwigs got more than they bargained for. Indeed, ears are burning all over town.

The picture of FDA painted by the study group is of an agency literally stretched to the breaking point—a regulatory body that is "not prepared to cope" with the responsibilities assigned to it.

There's more than enough blame to spread around, according to the report.

The Administration deserves much of it for lobotomizing FDA's rulemaking authority and submerging the agency into a bureaucratic Bermuda Triangle within the Public Health Service.

Congress deserves its share, and then some, for heaping new responsibilities on FDA without appropriating funds to properly carry out those duties.

Militant special interest groups ranging from true-believers in the animal rights movement to shrill-voiced AIDS activists have made an almost impossible job even more difficult for FDA.

State legislators from Maine to Maui have tried to undercut FDA's authority over foods and drugs by designing their own conflicting regulatory standards.

Even us in the (gasp!) news media contributed to the agency's internal paranoia by subjecting day-to-day decisions by FDA officials to intense scrutiny.

In short, it's a wonderful report packed with conclusions and recommendations certain to infuriate just about every possible side.

The solutions recommended by the committee, however, may be even more controversial.

HHS Secretary Sullivan—the guy who called for the study in the first place—is less than thrilled with the panel's proposal to slash his Department's authority over FDA.

House Energy and Commerce Committee Chairman John Dingell (D-MI)—the person who stirred up the generic drug hornets nest in the first place—is livid over criticism about Congressional micro-managing of the agency.

The army of self-appointed "consumer advocates" and special interest radicals who roast FDA at every opportunity are furious that some of the heat has been turned in their direction.

The wine and quiche crowd in Sacramento is having fits over suggestions that FDA should veto their plans to concoct their own politically correct labeling requirements for drugs and cosmetics.

I love it!

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Record gains in 3rd qtr. continue at Arbor Drugs

TROY, Mich. — Arbor Drugs maintained its strong growth momentum with a 22.6 percent jump in net income and a 22.2 percent sales increase for the third quarter ended April 30.

Net earnings for the period hit a record $2.8 million on sales of $101.2 million. Same-store sales were up a sharp 10.5 percent.

For the first nine months, net has increased 15 percent to $9.6 million and sales have climbed 19.4 percent to $301.4 million, with same-store sales up 10.0 percent.

Arbor chairman and ceo Eugene Applebaum attributed the sharp gains—which have become standard for the 112-store chain—to excellent sales growth, expense disciplines and continued success in new-store expansion. "Over the past 12 months, the company has added 20 new drug stores, and we are enthused by their performance," he said. "The proceeds from [Arbor's recent additional] stock offering will further enable the company to expand its existing base of stores."

Applebaum added that Arbor's double-digit comparable-store gains "demonstrate the fundamental strength of our base business."

Arbor recently declared another 3-for-2 stock split, and sold another 1 million shares of common stock (1.5 million shares on a post-split basis) in a public offering to raise additional capital. Concurrently, Applebaum offered 1 million shares of his own holdings in Arbor to the public, reducing his stake in Arbor from 4.3 million shares or 45.1 percent ownership, to 3.3 million shares, or 31.4 percent ownership.

Arbor chairman and ceo Eugene Applebaum attributed the sharp gains to sales growth, expense disciplines and continued success in new store expansion.

First qtr. 'best ever' at Bindley

INDIANAPOLIS — Bindley Western Industries announced that its first-quarter 1991 results were the "best ever recorded for any quarter in the company's history."

Sales rose 26 percent, to $545.5 million for the quarter ended March 31, from $432.9 million for the comparable quarter last year. Earnings grew by 24 percent, to $2 million from $1.6 million. Primary earnings per share were 29 cents versus 25 cents, and fully diluted earnings per share were 26 cents versus 23 cents.

Cardinal reports record gains

DUBLIN, Ohio — Cardinal Distribution reported record sales and earnings for the fourth quarter and fiscal year ended March 31.

Net sales for the fourth quarter gained 42 percent, to $341 million from $240 million last year, while net earnings rose 38 percent, to $5.9 million from $4.3 million.

For FY 1991, net sales increased 36 percent to $1.2 billion from $874 million; net earnings rose 36 percent, to $17.4 million from $12.8 million.

Robert D. Walter, chairman and ceo, said Ohio Valley-Clarksburg, which Cardinal acquired a year ago, met sales and profitaility expectations.

Its performance, he said, "is particularly satisfying since, throughout the year, we continued to invest for our future in order to strengthen management, improve physical distribution facilities and establish relationships with new customers in both existing and expanded geographic territories, all of which should position us to continue to exceed industry growth rates."

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MARKET DIARY:

Largest Dollar Gainer	Melville Corp.	$ 4.00
Largest Dollar Loser	Merck Co.	$ − 6.00
Largest Percentage Gainer	Zenith Labs	18.18%
Largest Percentage Loser	Par Pharmaceutical	−11.11%

Advances	29
Declines	26
Unchanged	3
New highs	9
New lows	0

	Close 5/24/91	Close 6/6/91	Net Change	Percent Change
Drug Store News Index	4151.28	4161.53	10.25	0.25
Dow Jones Industrial Average	2913.91	2994.86	80.95	2.78
Standard & Poor's 500-Stock Index	377.49	383.63	6.14	1.63
N.Y.S.E. Composite	206.66	210.24	3.58	1.73
Value Line Index	238.08	245.98	7.90	3.32

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 5/24/91	Closing Price 6/6/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.63	6.63	0.00	0.00	25	0.00	0.00	7.56	4.50
OTC	Arbor Drugs	ARBR	18.50	19.50	1.00	5.41	23	0.12	0.62	19.88	8.88
OTC	Big B (H)	BIGB	14.13	13.75	−0.38	− 2.65	—	0.16	1.16	14.50	4.75
OTC	Drug Emporium	DEMP	8.63	8.75	0.13	1.45	17	0.12	1.37	11.00	6.63
NYS	Fay's Inc.	FAY	13.88	14.63	0.75	5.41	18	0.20	1.37	15.75	7.25
ASE	Genovese Drug (H)	GDX.A	11.38	11.50	0.13	1.10	13	0.24	2.09	12.25	5.50
NYS	Longs Drug Stores (H)	LDG	42.38	43.25	0.88	2.06	15	1.08	2.50	43.75	30.88
OTC	Medicine Shoppe	MSII	24.00	23.25	−0.75	− 3.13	19	0.24	1.03	28.75	15.50
NYS	Perry Drug	PDS	6.63	7.50	0.88	13.21	−150	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp.	RAD	43.00	41.25	−1.75	− 4.07	16	1.00	2.42	47.75	29.50
NYS	Walgreen Co.	WAG	31.75	32.88	1.13	3.54	22	0.44	1.34	35.88	21.13
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	26.88	27.00	0.13	0.47	14	0.40	1.48	32.75	21.38
OTC	Bindley Western Ind.	BIND	17.25	15.88	−1.38	− 7.97	15	0.04	0.25	18.13	8.63
OTC	Cardinal Distribution	CDIC	38.25	39.00	0.75	1.96	30	0.08	0.21	39.75	18.50
OTC	Durr-Fillauer	DUFM	31.50	30.50	−1.00	− 3.17	22	0.28	0.92	34.75	16.00
ASE	Ketchum	KCH	2.25	2.38	0.13	5.56	− 6	0.00	0.00	2.75	1.25
NYS	McKesson Corp.	MCK	34.25	35.13	0.88	2.55	14	1.60	4.56	37.13	26.88
ASE	Moore Medical	MMD	6.63	6.13	−0.50	− 7.55	27	0.00	0.00	9.25	3.50
NYS	Owens & Minor (H)	OMI	19.63	23.00	3.38	17.20	21	0.28	1.22	23.13	10.88
Manufacturer's transactions											
NYS	Abbott Labs	ABT	51.88	50.00	−1.88	− 3.61	22	1.00	2.00	54.00	34.50
NYS	American Home Products	AHP	60.75	59.38	−1.38	− 2.26	15	2.28	3.84	63.88	43.00
ASE	Barr Laboratories	BRL	17.00	18.50	1.50	8.82	39	0.00	0.00	19.88	5.38
NYS	Baxter International	BAX	35.50	33.13	−2.38	− 6.69	18	0.72	2.17	37.13	21.50
OTC	Block Drugs Co.	BLOCA	57.25	55.00	−2.25	− 3.93	19	0.80	1.45	57.50	29.63
ASE	Bolar Pharmaceutical	BLR	3.38	3.50	0.13	3.70	− 2	0.00	0.00	7.88	1.88
NYS	Bristol-Myers Squibb	BMY	83.00	79.25	−3.75	− 4.52	23	2.40	3.03	84.88	55.38
NYS	Carter-Wallace	CAR	61.75	62.50	0.75	1.21	19	0.92	1.47	68.00	44.88
ASE	Columbia Labs	COB	8.63	8.00	−0.63	− 7.25	− 6	0.00	0.00	10.88	3.63
ASE	Forest Labs	FRX	39.25	35.63	−3.63	− 9.24	39	0.00	0.00	42.13	19.00
ASE	Halsey Drug	HDG	5.44	5.25	−0.19	− 3.46	28	0.00	0.00	5.94	2.13
NYS	ICN Pharmaceutical	ICN	5.38	5.13	−0.25	− 4.65	− 3	0.00	0.00	6.13	2.50
ASE	Lee Pharmaceutical	LPH	1.38	1.25	−0.13	− 9.09	− 3	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition	PLI	10.88	11.25	0.38	3.45	11	0.00	0.00	13.38	6.75
NYS	Lilly Eli Co.	LLY	79.63	77.50	−2.13	− 2.67	19	2.00	2.58	90.38	65.63
NYS	Marion Merrell Dow	MKC	35.13	34.75	−0.38	− 1.07	19	0.92	2.65	39.63	23.00
NYS	Merck Co.	MRK	120.88	114.88	−6.00	− 4.96	24	2.24	1.95	122.88	72.38
NYS	Mylan Labs	MYL	23.88	25.75	1.88	7.85	28	0.20	0.78	28.00	13.75
NYS	Par Pharmaceutical	PRX	3.38	3.00	−0.38	−11.11	− 2	0.00	0.00	8.13	2.63
NYS	Pfizer Inc. (H)	PFE	58.38	56.25	−2.13	− 3.64	23	1.32	2.35	60.50	31.25
NYS	Rhone-Poulenc Rorer (H)	RPR	82.25	84.50	2.25	2.74	172	0.88	1.04	84.75	56.75
NYS	Schering Plough (H)	SGP	53.50	50.88	−2.63	− 4.91	19	1.32	2.59	54.00	40.38
NYS	Syntex Corp.	SYN	42.38	38.50	−3.88	− 9.14	21	0.92	2.39	43.75	24.63
OTC	Taro-Vit Industries	TAROF	4.25	4.25	0.00	0.00	61	0.00	0.00	4.25	0.88
NYS	Upjohn Co.	UPJ	43.00	45.63	2.63	6.10	18	1.16	2.54	49.25	33.00
NYS	Warner-Lambert	WLA	72.50	71.50	−1.00	− 1.38	19	1.76	2.46	82.25	56.50
OTC	Zenith Labs (H)	ZENL	11.00	13.00	2.00	18.18	20	0.00	0.00	13.50	4.25
Other retailer transactions											
NYS	Albertson's	ABS	45.25	42.88	−2.38	−5.25	24	0.56	1.31	51.38	28.00
NYS	American Stores	ASC	85.38	85.50	0.13	0.15	16	1.12	1.31	92.38	42.63
NYS	Giant Food	GFS.A	28.88	29.50	0.63	2.16	14	0.64	2.17	31.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	47.00	47.25	0.25	0.53	12	0.80	1.69	58.63	37.75
NYS	Kmart (H)	KM	44.00	47.75	3.75	8.52	13	1.76	3.69	49.50	23.38
NYS	Kroger	KR	21.63	22.63	1.00	4.62	19	0.00	0.00	24.50	10.63
NYS	Melville Corp.	MES	48.50	52.50	4.00	8.25	15	1.44	2.74	57.75	32.75
OTC	Fred Meyer	MEYR	16.75	16.75	0.00	0.00	12	0.00	0.00	19.25	10.00
NYS	Penney, JC	JCP	56.25	53.75	−2.50	− 4.44	13	2.64	4.91	66.75	37.38
NYS	Safeway	SWY	19.13	19.50	0.38	1.96	20	0.00	0.00	21.63	10.25
NYS	Smith's Food & Drug	SFD	37.00	39.50	2.50	6.76	27	0.36	0.91	43.75	24.75
NYS	Wal-Mart	WMT	41.38	41.88	0.50	1.21	35	0.16	0.38	44.25	24.88

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Gallup '91

Lotions, creams, talcs and dusting powders that women stroke on their bodies after bathing are the most popular items, used by 56 percent of the women in the study.

With proper merchandising, simple bathing becomes ritual

Thanks to the growing popularity of body care specialty stores like The Body Shop and H_2O Plus, American women have begun to transform their bathing and moisturizing rituals into highly sensual experiences.

Through their romantic advertising and product presentations, Body Shop stores are conditioning women to think of soaps, gels, dusting powders and moisturizers as indulgent experiences.

Fragranced lightly with the natural oils and extracts of flowers and fresh fruits, body care products can make a woman feel pampered, silky, and as innocently erotic as nature itself.

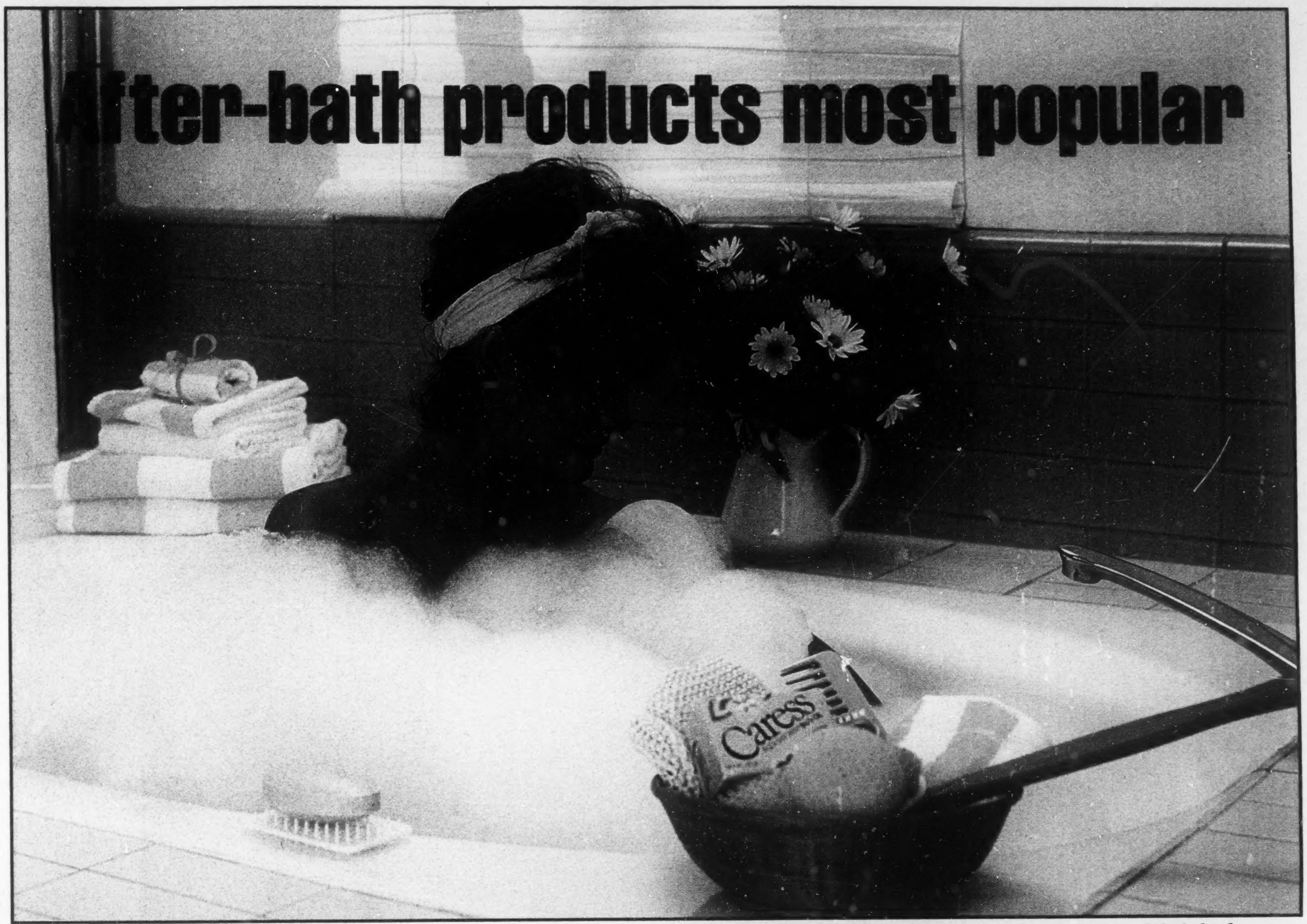
Now drug stores and other mass retailers are beginning to see that they can also merchandise the bath and skin care category as sensual enhancements.

Some of the more progressive chains like Drug Emporium, Eckerd and Genovese have begun expanding their bath planograms and some are creating bath centers in their cosmetic skin care sets or on highly visible endcaps.

Buyers are also reporting strong growth in bath care products, especially for premium positioned lines like Yardley, Jean Nate, L'Effleur, Sarah Michaels and Natural Essence.

In our exclusive Gallup Consumer Survey report, Drug Store News discovered another reason for the success of specialty chains like The Body Shop and H_2O Plus: they've tapped into a large market of women who use body care products sensually, and who sincerely cherish these products for their ability to provide such luxurious indulgences.

After-bath products most popular



Confronted with the stress and pressures of life on today's fast track, American women are seeking relief in the relaxing privacy of their bath.

More than seven out of 10 (71 percent) of Gallup respondents said they've used a bath or shower product during the past four weeks.

The most popular: lotions, creams, talcs and dusting powders that women stroke on their bodies after bathing or showering, used by 56 percent of the women in the study.

Bath additives and shower gels are less popular, at 27 percent, and shower gel, at 14 percent.

Across age groups, after-bath products seem universally more popular. Six out of 10 women 50 and older say they've used these within the past four weeks—as have 54 percent age 18 to 24, 56 percent of women 25 to 34, and 54 percent in the 35-to-49 bracket.

By comparison, only 31 percent of women 18 to 24 told Gallup they'd used a bath additive or shower gel in the past four weeks, as have 30 percent of women 35 to 49, and 27 percent of the 50-and-older crowd. Bath additives and gels are used the least by women 25 to 34.

Since after-bath products appeal to a broader spectrum of American women than bath additives or shower gels, they deserve larger space allocations, as well as stronger advertising support in drug stores.

Plus, bath products make good candidates for ads because the use-up rate is high. More than three out of four (or 77 percent) of bath product users age 35 to 49 say they use these items "every time or most of the time" they bathe or shower; among women 25 to 34, 80 percent said this, as did 82 percent of women 50 and older.

Where people shop most often for bath products

	All Shoppers	25-34	35-49	50 and older
Regular drug stores	17%	15%	10%	21%
Deep discount drug stores	18	21	18	18
Net drug stores	35	35	27	38
Door to door	20	14	23	22
Discount stores	16	21	19	12
Food stores	13	14	17	10

Base: women who have used bath products.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

How often women use bath and shower products

		Among women in these age groups		
	Among all women	25-34	35-49	50 and older
Every time bath or shower	55%	53%	53%	60%
Most of the time	25	27	24	22
Sometimes/rarely	20	20	23	17

Base: women who have used any type of bath or shower product.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

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Drug Store News wishes to thank *TEEN Magazine* for its color photographs published within this special Gallup Report section on pages 35, 36, 43, 44, 50, 56 and 56. Photos published courtesy of *TEEN*.

Strong competition reigns for bath care dollars

It's not surprising that the strongest competition for the bath care customer is coming from direct marketers Avon and Mary Kay, followed by the likes of Kmart and Wal-Mart—and not from department stores.

After all, drug stores, door-to-door firms and discounters are far more moderate in their pricing. At the same time, many of these merchants are expanding assortments, and upgrading presentations and advertising.

Indeed, 20 percent of bath product users in this survey said they buy their favorite brands "most often" from door-to-door reps; 16 percent said discount department stores, and 13 percent said food stores.

More than one-third buy these items "most often" in a drug store: 17 percent at conventional operators and 18 percent at deep discounters.

Department stores garner just 9 percent, largely due to their often extravagant prices for bath products.

Gallup found that older women are more likely to shop drug stores "most often" for bath products. Among women 50 and older, 38 percent said drug stores are their preferred outlets for bath goods; 22 percent named direct mar-

Continued on page 43

> *Among women 50 and older, 38 percent said drug stores are their preferred outlets for bath goods.*

Why women buy bath/shower items in drug stores

Good/reasonable prices	47%
Convenient to home/office	31

Base: women who always or sometimes buy their bath and shower products in a conventional or deep discount drug store.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

. . . or rarely or never do

Do not carry my brands	29%
Prices are too high	22
Inconvenient to home/office	15

Base: women who rarely or never buy their bath and shower products in a conventional or deep discount drug store.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Women who use after-bath products

Age segments	% of U.S. population	% of all women using after-bath items in the past four weeks	% of all women in this age segment using after-bath items in the past four weeks
18 to 24	13%	13%	54%
25 to 34	21	21	56
35 to 49	25	24	54
50 and older	39	41	60

Base: women who have used an after-bath product.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

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Competition reigns for bath care dollars

Continued from page 38

keters; just 12 percent said discount stores and 10 percent food stores.

A related finding: while many younger women shop drug stores "most often" for bath care, discounters are closer to parity in attracting them. Among women 25 to 34, 35 percent prefer drug stores for bath products, as do 27 percent of women 35 to 49. By comparison, 21 percent of women 25 to 34 and 19 percent of the 35-to-49 group "most often" shop discount stores.

While drug stores are still the stores that younger women shop "most often" for bath care, they could get even stiffer competition from discount chains and direct marketers when and if these trade classes decide to focus on this category more aggressively.

There is also evidence that drug stores could build a stronger franchise of bath users if they concentrated more intensely on this category. For example, 56 percent of bath product users 35 to 49 told Gallup they "rarely or never" buy bath products in drug stores, compared to just 16 percent who said they "always" do.

Among older women 50-plus, 52 percent said they "rarely or never" shop drug stores for bath care, while just 19 percent of this group said they "always" do.

The majority of women who "rarely or never" buy bath care in drug stores say it's because drug stores don't stock their brands (29 percent) or prices are too high (22 percent). Drug stores could enhance their appeal to these shoppers by broadening product selection and advertising brands at value prices.

For women who say they "always" buy bath products at drug stores, "reasonable prices" and "convenience to home or office" are the main attractions.

After-bath products are most popular

Products used	Among all women
*After-bath	56%
**Bath additives	27
Shower gels	14

*Such as dusting powders, talcs, body creams and lotions.
**Such as oils, tablets, beads or powders.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Demographic analysis of shopping preferences (Frequency of purchases by users in this age segment)

Frequency of shopping drug stores by age segments	Always	Sometimes	Rarely	Never
All bath/shower product users	20%	29%	24%	25%
Women 25 to 34	24	35	16	26
Women 35 to 49	16	28	25	31
Women 50 and older	19	26	32	20

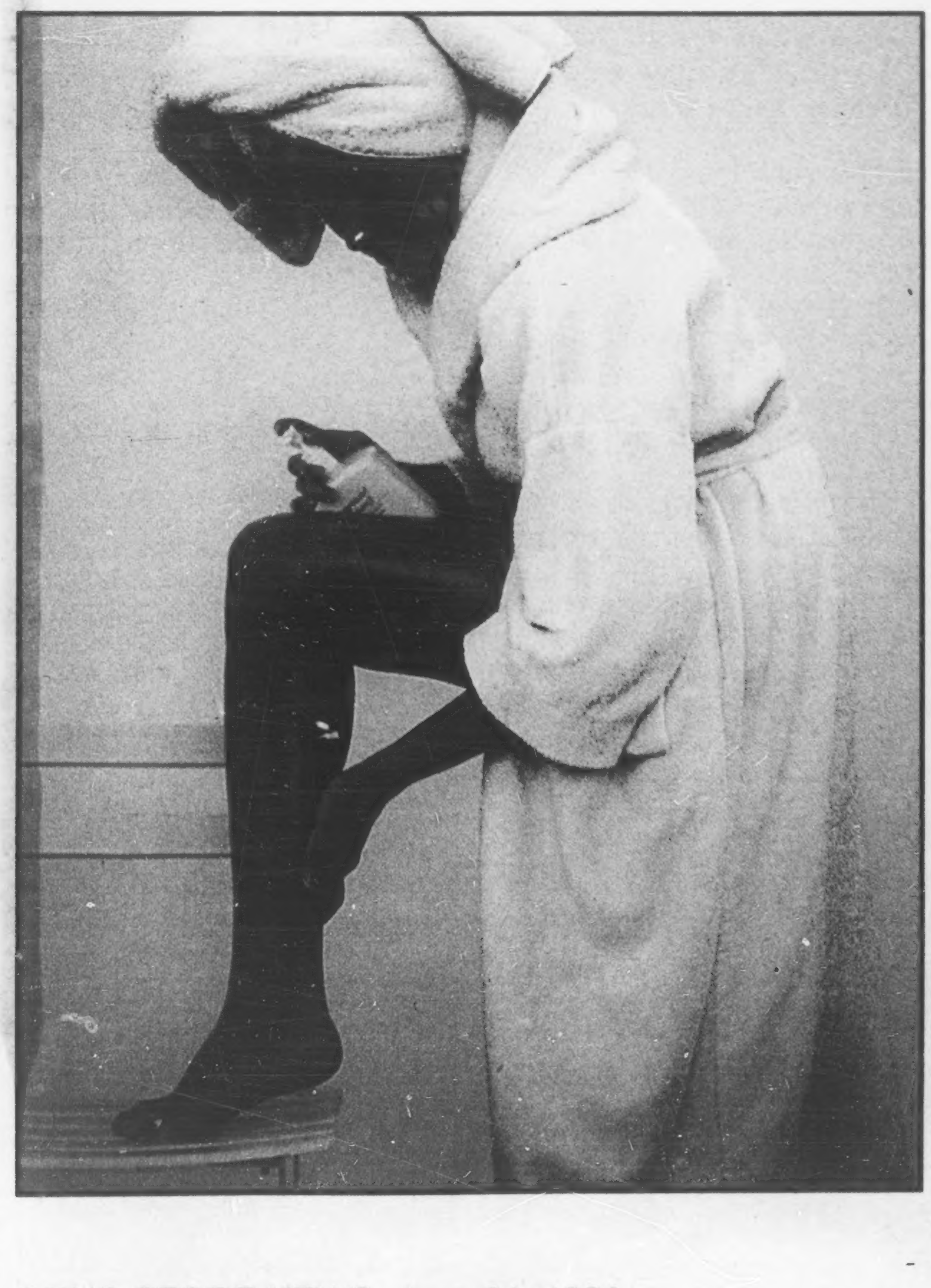
Base: women in these age groups who have used a bath/shower product.
Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Women who use bath additives and shower gels

Age segments	% of U.S. population	% of all women using bath/shower products in the past four weeks	% of all women in this age segment using bath/shower products in the past four weeks
18 to 24	13%	15%	31%
25-34	21	18	24
35-49	25	27	30
50 Plus	39	39	27

Base: women who have used an after-bath product.
Source: *Drug Store News* /Gallup 1991 Consumer Survey.

For bath products, 35 percent of women aged 25 to 34 prefer drug stores.



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Local and national spot television buys have helped Tarn-X sustain considerable market share in the household chemical metal polish category. In Chicago Tarn-X has acheived 65 percent of the retail dollar share and 51 percent of the unit movement share in its category.

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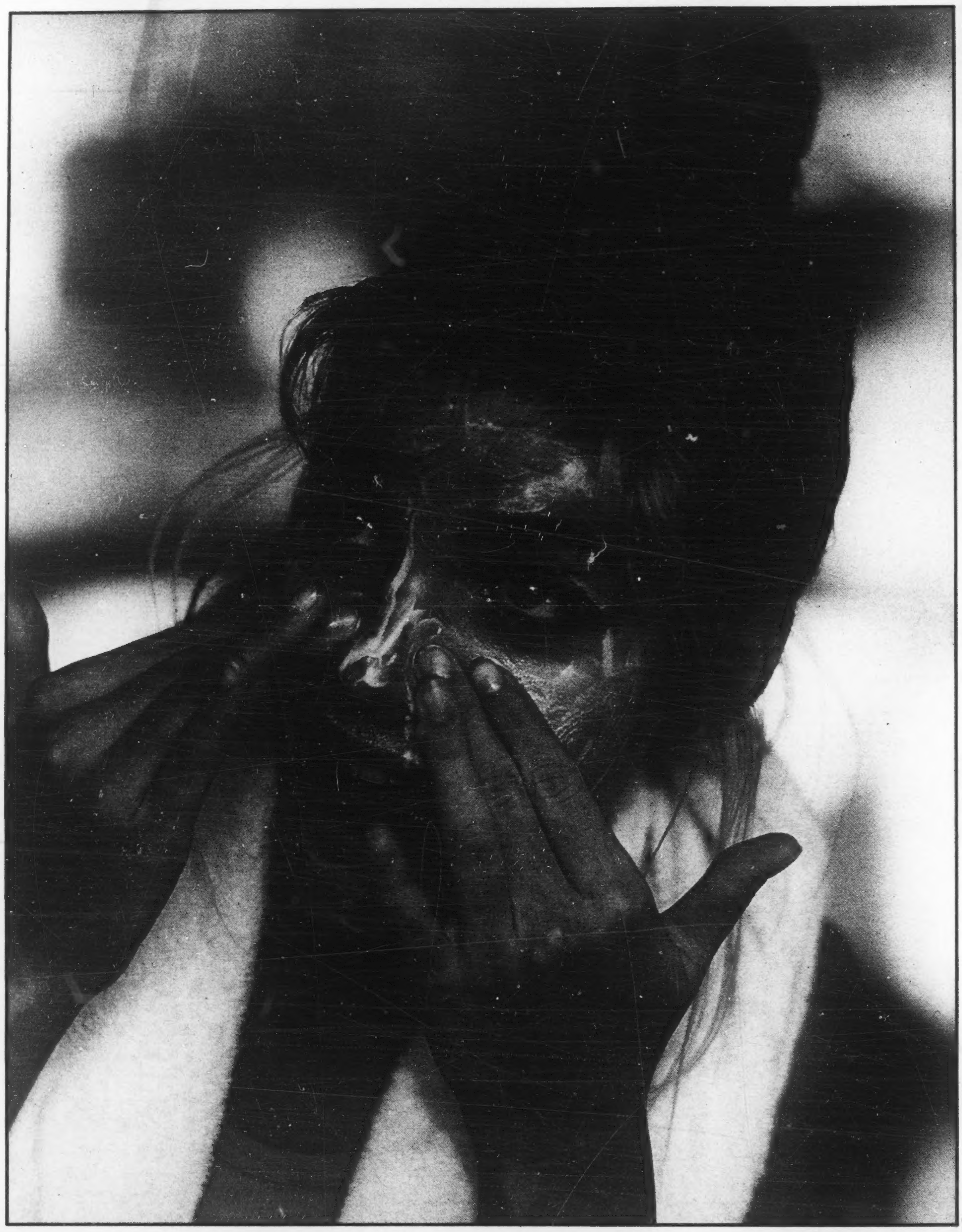
Chains do well in skin care, but have room for improvement, opportunity

According to Gallup, there is plenty of opportunity for drug stores to build a skin care franchise.

Facial moisturizers are one of the strongest growth categories of the '90s, but where are women buying them, which brands do they prefer and how often are they using them.

Since the category offers drug stores so many opportunities to grow sales and attract consumers, Drug Store News asked the Gallup Organization head-quartered in Princeton, N.J., to include it in this year's fourth Annual Drug Store News Beauty Care Consumer Survey.

We wanted to find out exactly how women today relate to this category and what they think of drug stores as the place to buy skin care products.



Because of their success at motivating skin care sales among younger women, the customer demographics at deep discounters in the survey resemble those of department stores and direct marketers.

The good news for drug store operators is that women 25 to 49 are particularly heavy users of facial moisturizers, with more than seven out of every ten in these age groups current users, reports Gallup.

Overall, 69 percent of women over 18 say they've used a facial moisturizer during the past four weeks.

Since drug stores target the 25-plus age group, an attractive presentation of moisturizing products, combined with aggressive image and price/value advertising could be perfect vehicles for courting this shopper.

According to Gallup, there is plenty of opportunity for drug store operators to build a skin care franchise. Just a third of all women now buying facial moisturizing products are making their purchases "most often" in a drug store. Of that group, 19 percent shop conventional drug stores such as Walgreens and Eckerd "most often" for moisturizers, and 14 percent shop deep discounters such as Drug Emporium and F&M.

The strongest competition for this customer: direct marketers Avon and Mary Kay, and department stores such as Macy's and A&S. Indeed, 24 percent said they buy their favorite facial moisturizers "most often" from door-to-door reps, and 21 percent said they shop department stores most often.

The facial moisturizer customer at a conventional drug store is more likely than any other trade class to be an older woman. A study of moisturizer purchases across four age groups shows that women 50 and older account for 44 percent of the "most often" group.

Since drug stores target the 25-plus age group, an attractive presentation of moisturizing products, combined with an aggressive image could be perfect for courting this shopper.

In comparison, department stores make 34 percent of their facial moisturizer sales

Continued on page 46

Most women use facial moisturizers

% of users	69%
Non-users	31

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Most frequently used skin care products

Daytime moisturizers	37%
Cleansers	35
Nighttime moisturizers	14
Toners	4

Base: Women who have used a moisturizer in the past four weeks as part of a skin care regimen.

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

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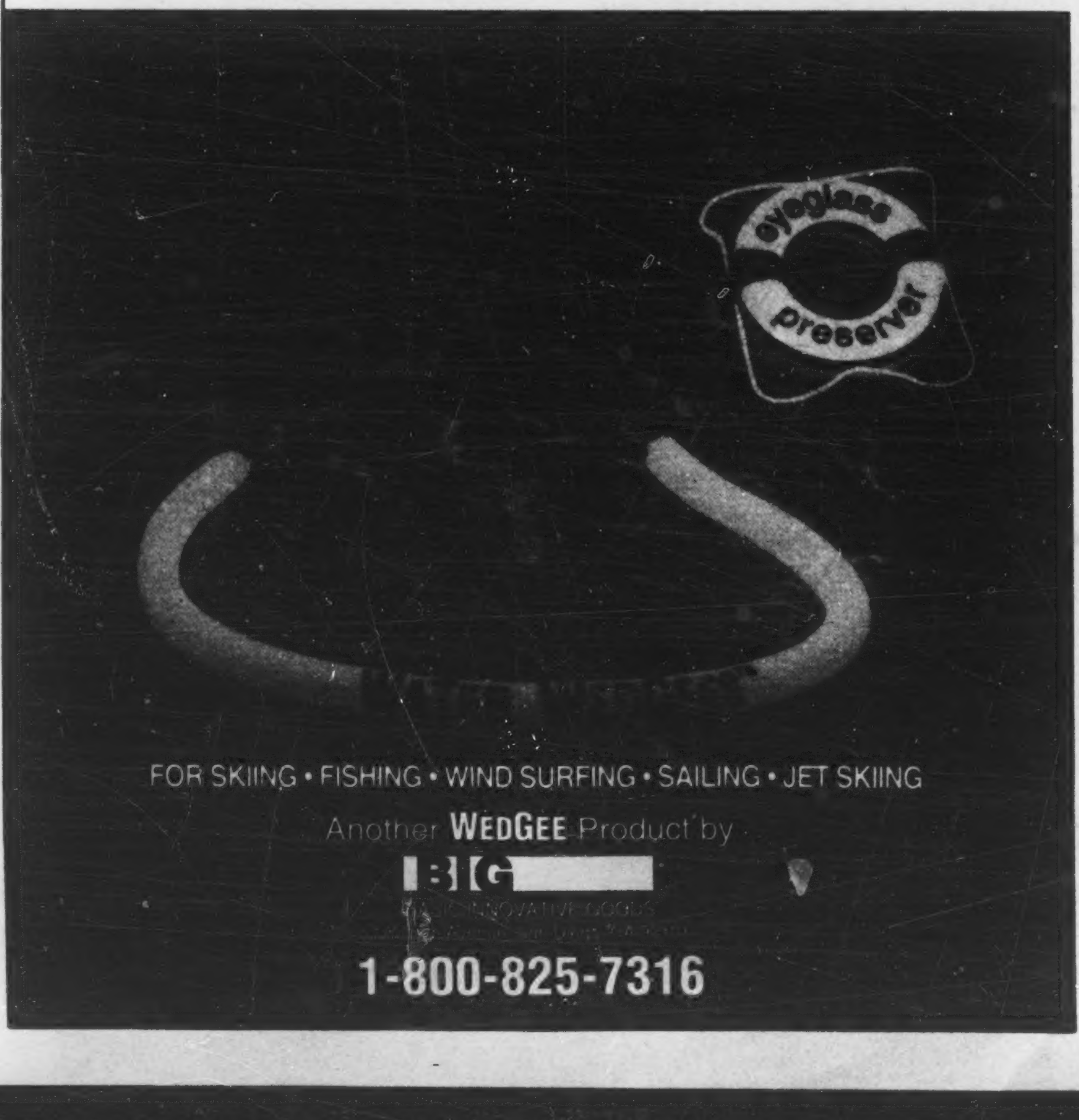

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How often women shop in drug stores for moisturizers (By age segment)

	Always	Sometimes	Rarely	Never
All moisturizer users who shop drug stores	23%	19%	16%	42%
18 to 24	19	30	19	31
25 to 34	25	9	14	51
35 to 49	17	17	22	44
50 and older	26	23	12	39

Base: Women, within these age groups, who have used a moisturizer in the past four weeks.

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Chains do well in skin care, but have room for improvement, opportunity

Continued from page 44

to women in that age group.

Among women who say they "always shop" drug stores, 45 percent are 50 and older, and just 20 percent are 35 to 49. Rare shoppers are more likely to be 35 to 49 (37 percent) and less likely to be 50 and older (29 percent).

Although drug stores certainly want to attract older shoppers, it isn't to their advantage to have such a large base of their sales made to women 50 and older. For one thing, in mass market stores, older shoppers tend to buy lower ticket facial moisturizers.

They aren't as inclined as younger users to use a regimen of skin care products, so traditional drug stores, who cater disproportionately to older shoppers, often miss the opportunity to create multiple sales of skin care products, generating a cleanser sale with a moisturizer sale, for example, or toner sale with a companion cleanser.

This could be one reason why Gallup discovered that traditional drug stores only get a $5.37 mean facial moisturizer purchase compared to the $19.80 mean and the $10.06 mean that department stores and door-to-door sales reps average.

Many opportunities

With so much of their sales coming from older customers, drug stores are also missing opportunities to build a strong skin care franchise with younger consumers. They are especially missing a chance to court the 25 to 34 and the 35 to 49 year old consumer who, by age segment classification, is the heaviest user of skin moisturizing products.

This is also the customer who often shops department stores for skin treatment products, the kind of customer that drug stores would love to be able to convert into "class for mass shoppers."

Nevertheless, only 17 percent of the consumers who bought a skin treatment item in a traditional drug store were between the ages of 35 and 49. These coveted customers were taking their skin care business elsewhere—such as department stores, where 30 percent of face moisturizing sales are to customers in this age group, and direct marketers, with 29 percent.

Indeed, two out of three women aged 35 to 49 who use

Continued on page 50

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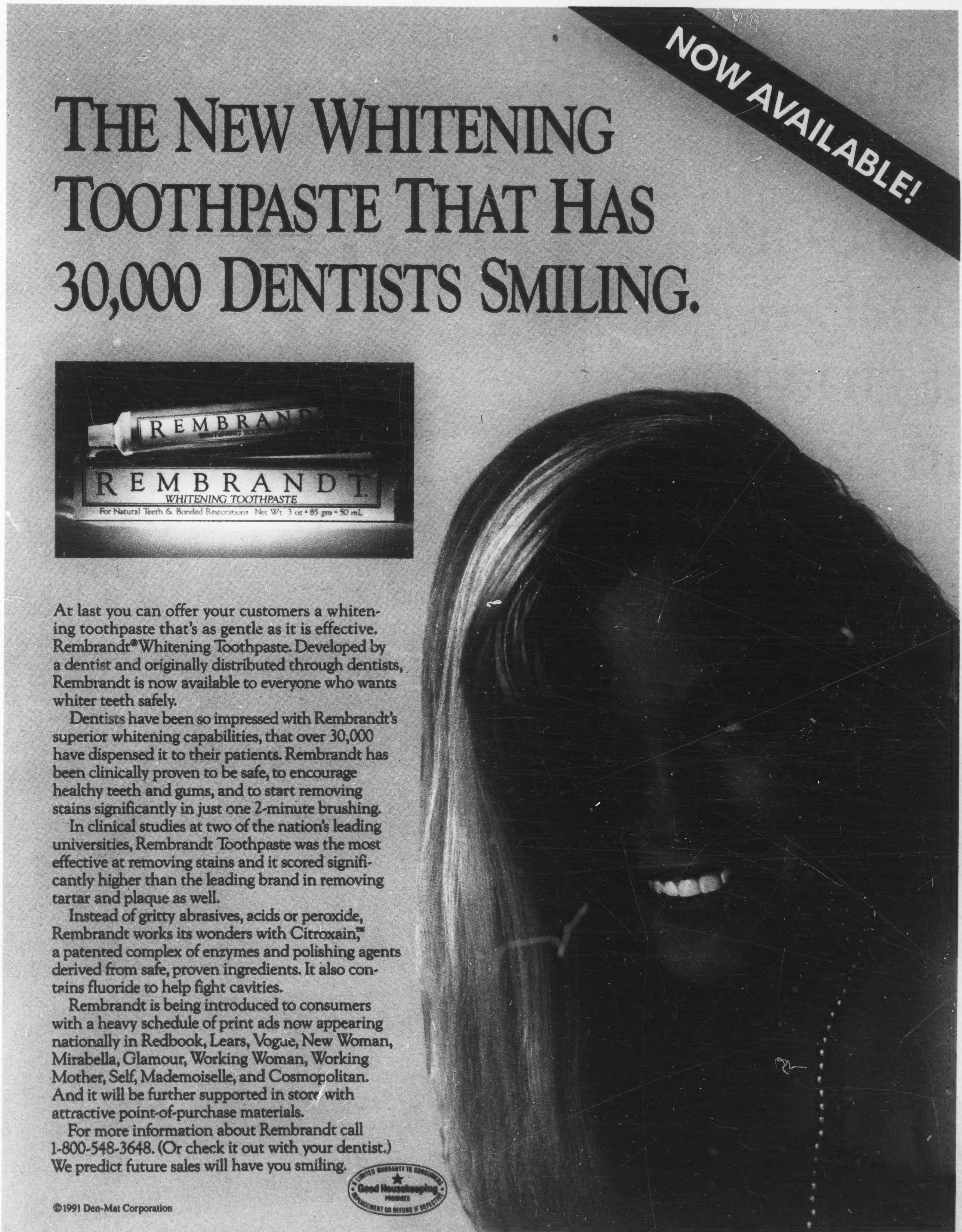

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Rembrandt is being introduced to consumers with a heavy schedule of print ads now appearing nationally in Redbook, Lears, Vogue, New Woman, Mirabella, Glamour, Working Woman, Working Mother, Self, Mademoiselle, and Cosmopolitan. And it will be further supported in store with attractive point-of-purchase materials.

For more information about Rembrandt call 1-800-548-3648. (Or check it out with your dentist.) We predict future sales will have you smiling.

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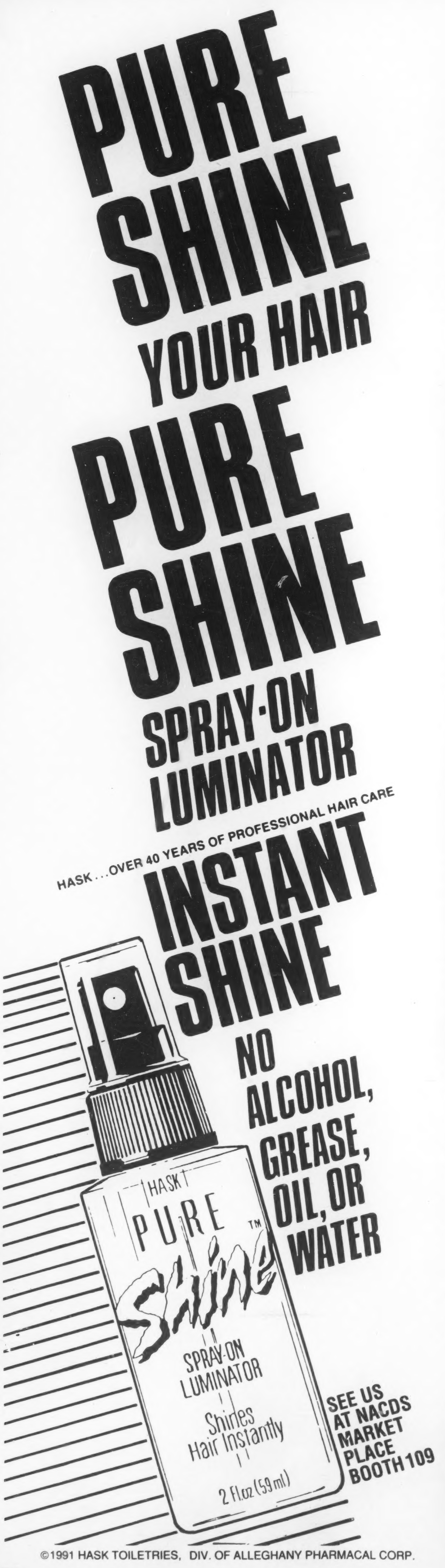
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Protective facial moisturizers offer perfect opportunity for drug stores

Health, fitness and fashion authorities have succeeded in convincing women that when it comes to dry skin, an ounce of prevention is worth more than a pound of cure.

These days, women don't want to wait until their skin has been damaged before they start to protect it. They've been taught that the best way to prevent and retard the damaging effects of aging, stress, wind or sun damage is to start using facial moisturizers at a young age.

So it's not surprising that Gallup discovered the majority of women in all age groups are regular users of facial moisturizers. Not only do 68 percent of all women 50 and older use moisturizers, so do 59 percent of all women 18 to 24; 74 percent of all women 35 to 49; and 72 percent of all women 25 to 34.

Among the survey respondents who were black, 58 percent had used a facial moisturizer in the past four weeks.

As health, fitness and fashion magazines continue to publish articles warning against the damaging effects the environment can have on human skin, the incidence of use can be expected to grow.

Given the usage rates they now command, moisturizers are a perfect category for chain drug stores to advertise. Women will be looking for new products offering the latest technological breakthroughs in innovative formulas.

Some will respond to the stores that offer the lowest prices and broadest selections. They'll have questions about what is best for their skin types, and retailers with knowledgeable staffs will be in a strong competitive position.

No one wants to look any older than they have to, which helps explain why 69 percent of adult women use face moisturizers.

Replenishment rates high

Since most women today tend to use moisturizers at least once a day, replenishment rates are relatively high.

Certainly if women can be persuaded to buy their moisturizers in one particular store, that store will benefit from frequent repeat purchases. And the more women a store attracts, the more likely that store is to generate other incremental impulse purchases.

Gallup found that women who wear facial moisturizers apply them often.

Indeed, 84 percent of all women 25 to 34 apply them at least once a day, and 33 percent say they use them "more than" once a day.

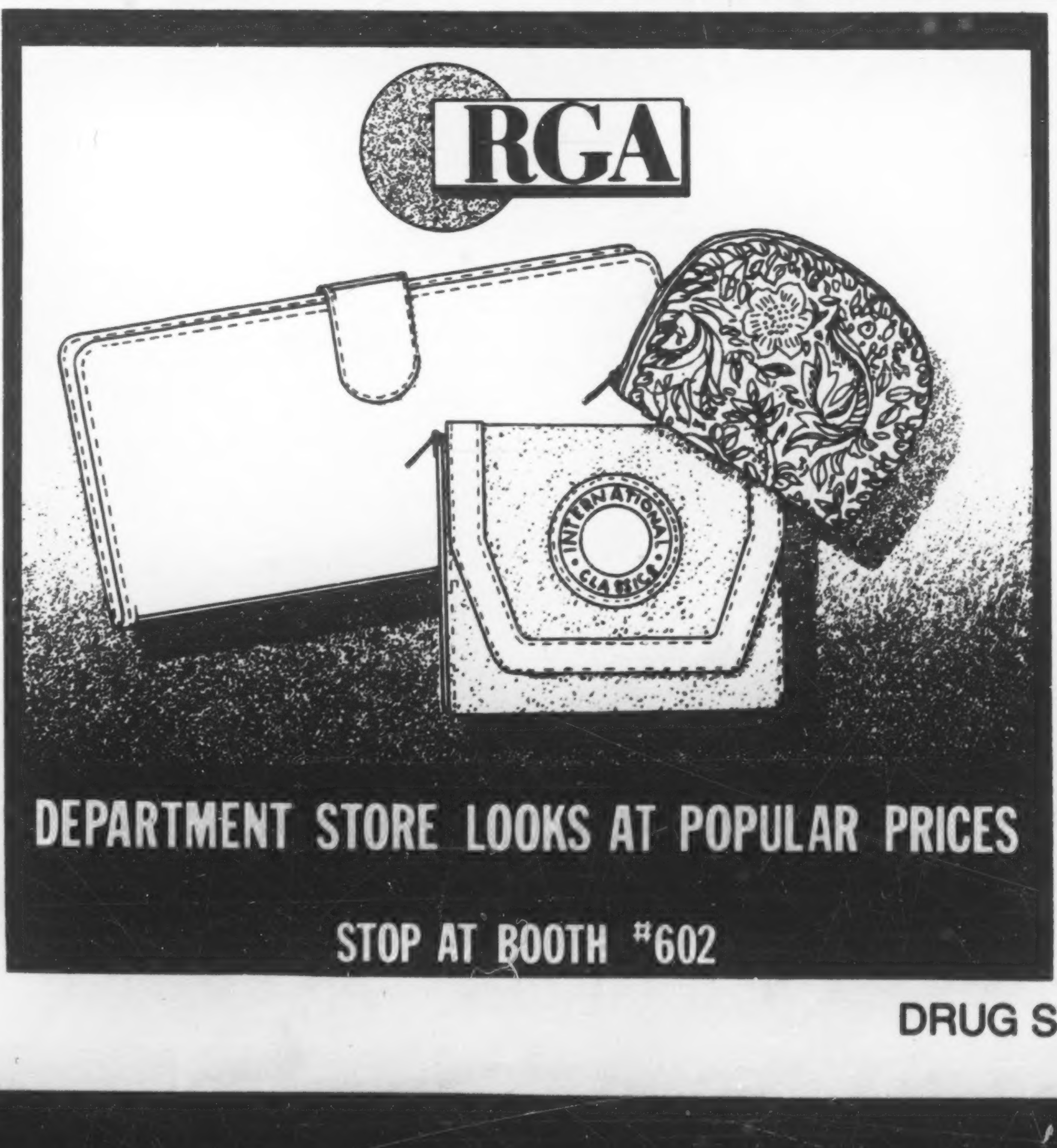
Facial moisturizers also have psychological benefits for the user. In addition to giving users a sense of security based on the protection they provide, they also leave a woman's skin feeling soft and silky to the touch.

As the day wears on and the moisturizers wear off, women can feel their skin tightening. The quickest way to remedy the problem? Stroke on a little more moisturizer.

Facial moisturizers help women feel good as well as look good, beauty experts say.

Gallup findings show that the most popular moisturizing brand among American women is still Oil of Olay. Of the 22 percent who named it as their

Continued on page 53



DEPARTMENT STORE LOOKS AT POPULAR PRICES

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Service counts: Door-to-door brands offer stiff competition for moisturizer sales

Why women buy moisturizers in drug stores

Good/reasonable prices	45%
Convenient to home/office	36
Habit/always shopped there	10
Easy to shop	9
Variety/selection of brands	5
Impulse/came to buy something else	4
Carries the better brands	2
Helpful/knowledgeable sales people	2
Other	2
No answer	4

. . . or rarely or never do

Do not carry my brands	47%
Prices are too high	11
Does not stock the better brands	9
Buys from door-to-door sales representative	8
Inconvenient to home/office	7
Limited selection/not enough variety	4
Never thought of drug stores as a place to buy this product	3
Don't need or use it	3
Lack of helpful/knowledgeable salespeople	3
Inconvenient/can buy elsewhere	2
Hard to shop/store is confusing	2

Base: Women who rarely or never buy their favorite brand in either a conventional or deep discount drug store.

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Continued from page 50

favorite brand, there was no significant variation across demographic segments as age, income, education, race or geographic region.

Olay, of course, is advertised more frequently than any other mass market skin care brand. It has always been positioned as a beauty aid made to prevent or minimize the damaging effects of aging, stress or weather-related damage.

However, Gallup discovered that brand popularity is also affected by where women shop. For example:

- 40 percent of all the women who bought moisturizers in a drug store named Olay as their favorite brand, but only 33 percent of all moisturizer purchases were made in a drug store.
- 24 percent of all respondents said they buy their facial moisturizers from door-to-door marketers, such as Avon or Mary Kay—and 79 percent of this group named one of these brands as their favorite.
- 31 percent of all women who buy moisturizers in a department store named Clinique as their favorite, while 24 percent named Estee Lauder.

There are a number of reasons why door-to-door brands are gaining in popularity so quickly.

Like Olay, they're more moderately priced than department store brands, but they also benefit from the highly personalized service that Avon and Mary Kay sales representatives offer.

Women like buying beauty care products in the privacy and comfort of their living rooms, and they like a friendly salesperson on hand to help answer their questions. This is a trend that drug store operators have to continue to watch and react to. It not only threatens their ability to dominate facial moisturizer sales, but sales of all beauty care products.

How often women use facial moisturizers

	Among all women	Among women in these age groups 25-34	35-49	50 and older
More than once a day	24%	33%	26%	20%
Once a day	54	51	51	59

Base: Women who have used a moisturizer in the past four weeks.

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Women who buy facial moisturizers primarily at drug stores

(By age group)

	18-34	35-49	50 and older
All moisturizer users	34%	27%	38%
The always shopper	34	20	45
Sometimes	30	25	45
Rarely	32	37	29
Never	35	28	35

Base: Women who have used a moisturizer in the past four weeks.

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

What women generally pay for facial moisturizers

(By store type)

	Mean	Median
Department stores	$19.80	$18.00
Door-to-door	10.06	7.00
Discount drug stores	5.37	5.00
Traditional drug stores	5.78	5.00

Base: Women who have used a moisturizer in the past four weeks.

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Favorite brands of facial moisturizers

	All women	Among women within these age groups 25-34	35-49	50 and older
Oil of Olay	22%	22%	23%	21%
Avon	11	9	7	17
Mary Kay	10	13	15	4
Clinique	7	14	10	1
Estee Lauder	5	3	3	9
Lancome	4	1	7	5

Base: Women who have used a moisturizer in the past four weeks.

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

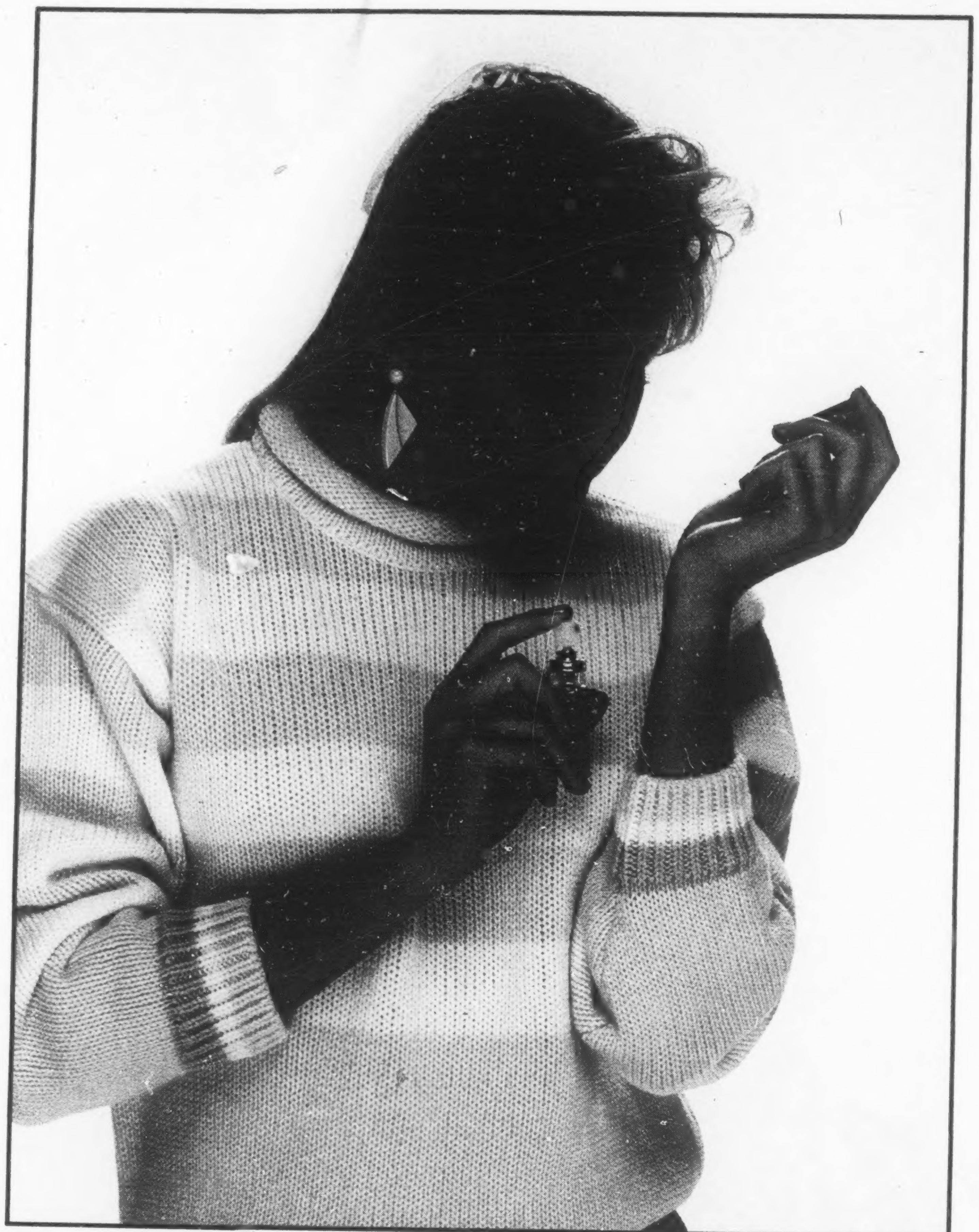
Women who use facial moisturizers

Age segments	% of U.S. population	% of all women using moisturizers in the past four weeks	% of all women in this age segment using moisturizers in the past four weeks
18 to 24	13%	12%	59%
25 to 34	21	22	72
35 to 49	25	27	74
50 and older	39	38	68

Base: women who have used a moisturizer in the past four weeks.

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

Department stores still get more "most often" citations for fragrance purchases than any other trade class; 46 percent of 18- to 24-year-old fragrance users said they follow their noses "most often" in department stores.



Gallup found that drug stores get the majority of their "most often" fragrance purchases from women 18-24 (27 percent) and 50 and older (26 percent).

Drug stores chosen by 22% for fragrances

For drug store operators, the good news is that 22 percent of fragrance users buy their scents "most often" in drug stores. Of this group, 13 percent frequent conventional drug stores such as Walgreens and Eckerd, and 9 percent use deep discounters such as Drug Emporium.

Not surprisingly, the strongest competition for fragrance sales is coming from department stores such as Macy's and Nordstrom's, Gallup found. However, discounters such as Kmart and Wal-Mart, and direct marketers Avon and Mary Kay also have significant followings: 14 percent said they buy their fragrances "most often" at discount chains and 10 percent from door-to-door reps.

According to Gallup, all drug stores get the majority of their "most often" fragrance purchases from women 18-24 (27 percent) and 50 and older (26 percent).

However, department stores still get more "most often" citations for fragrance purchases than any other trade class. For example, 46 percent of 18- to 24-year-old fragrance users said they follow their noses "most often" in department stores; 47 percent of 25- to 34-year-olds said this, as did half of 35- to 49-year-old fragrance users and 38 percent of the 50 and older group.

The department store's success at cultivating fragrance shoppers may not be entirely due to their merchandising or servicing strategies. Most prestige fragrances are only available in department stores, so the fragrance industry's selective distribution system is probably more the reason.

As drug stores continue to expand their assortment of premium brands and as mass market manufacturers commit more advertising dollars to support brands like Char-

Continued on page 59

Why women buy fragrances in drug stores

Good/reasonable prices	44%
Convenient to home/office	32
. . . or rarely or never do	
Do not carry my brands	34%
Prices are too high	12
Do not stock the better department store brands	10

Base: Women who rarely or never buy their fragrances in conventional or deep discount drug stores.

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

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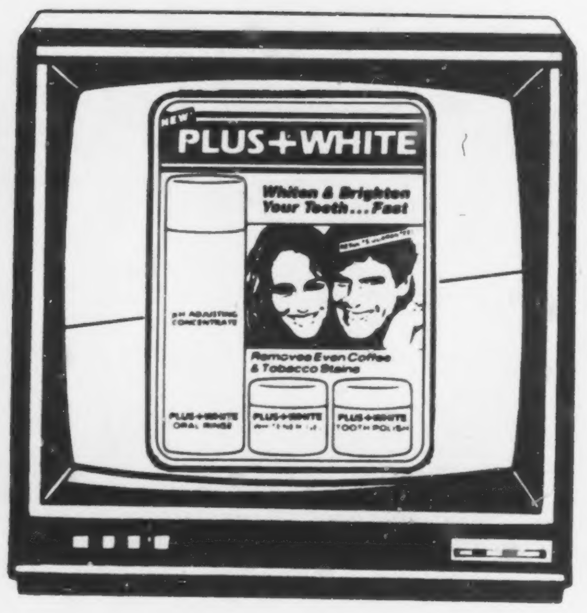
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Drug stores pick up the right scent

Continued from page 56

lie, Lady Stetson and Vanderbilt, the drug store share of fragrance sales should be able to rise, particularly since department stores are going through troubled times.

But if drug stores are to capture more fragrance shoppers, this is the time to act, by broadening product assortments, adding merchandising touches reminiscent of department stores, managing prices to create a good price/value image and by supplying fragrance customers with as much personalized service as possible.

Clearly, drug stores could do better in courting fragrance shoppers, Gallup findings indicate. Just 15 percent of the drug store "always shoppers" are women 25 to 34—less than one expected since 22 percent of fragrance users are in this age group.

The bright side is that only 10 percent of the drug store "never shoppers" for fragrances are 18 to 24, as are 15 percent of the "rarely shoppers."

Since 32 percent of people who "never" buy fragrances in drug stores are 35 to 49, and 27 percent of fragrance users are in this age group, it appears as if drug stores aren't getting their fair share of this crowd. Reinforcing this notion, just 21 percent of drug store"always shoppers" are 35-49, yet this age group accounts for 27 percent of all fragrance purchases.

Drug stores have a lot of potential to develop fragrance sales with older customers. The picture now, Gallup findings show, has 70 percent of fragrance users aged 35-49 "rarely or never" . shopping this trade class for scents. Similarly, 67 percent of users 25 to 34 and ... percent of users 50 and older said this.

The younger shopping group of 18 to 24 year olds had 54 percent saying they "rarely or never" shop drug stores for fragrances.

On the flip side, Gallup found that an overall 12 percent of fragrance users say they "always" shop drug stores for fragrances. That is true for 8 percent of the 25-34 crowd, 9% of the 35-49 group and 17 percent of the 50 and older bracket.

The benefits that turn some women into "always and sometimes" drug store shoppers for fragrances are price (44 percent) and convenience (32 percent).

One-third of all women who rarely or seldom buy fragrances in drug stores cite lack of brands they prefer.

As for women who buy fragrances for men, 6 percent said Old Spice is the brand they buy most often. But there is also evidence that women may be finding other attractive alternative fragrances for men from direct marketers: 4 percent of respondents said the fragrance they bought "most often" for men was an Avon brand.

How often women shop drug stores for fragrances

	Always	Sometimes	Rarely	Never
All fragrance users who shop drug stores	12%	21%	26%	40%
18-24	12	29	26	28
25-34	8	24	27	40
35-49	9	21	23	47
50 and older	17	15	27	40

Base: Women who have used a perfume or cologne in the past four weeks.

Source: *Drug Store News*/Gallup 1991 Consumer Survey.

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ph: Jade Albert

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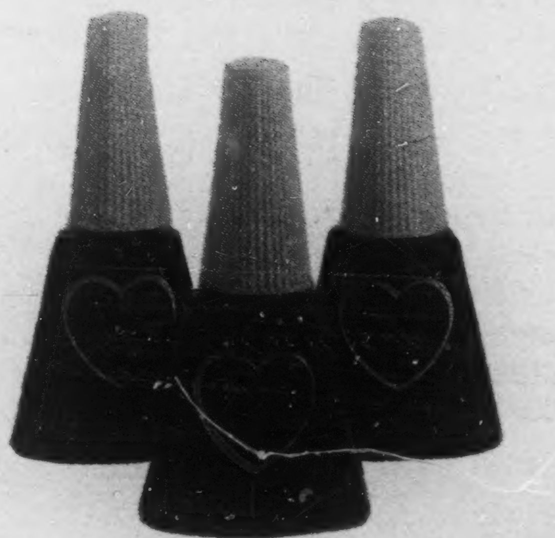


Photo departments embark on the 'green' attack

The 35mm film assortment includes Polaroid and Fuji with Kodak, in Woolworth's Rx Place deep discount store on Long Island, New York.

Continued from page 72

ample, provoked an outcry from environmental groups.

Either way, environmental concerns figured into many of suppliers' booth presentations at the PMA's annual convention this year.

The latest film manufacturer to go public with a major environmental commitment is Polaroid Corp., which in April released a lengthy report detailing its efforts to improve its earth-friendly performance.

Among Polaroid's programs: a two-year-old Toxic Use and Waste Reduction program; a $50 million, five-year program to keep facilities and equipment in compliance with changing regulations; creation of a new Marketing Environmental Group Advisory Board and a new management post to focus on packaging and post-consumer waste; a new Polaroid Waste Reduction University; and an Earth Day forum at which senior managers updated their progress in meeting waste reduction goals.

"Our priorities are to use less packaging in the first place and to make our packaging as environmentally sound as possible," said Brian Bigler, senior packaging engineer for Polaroid.

The supplier of instant film and imaging techniques isn't alone in its "green" efforts. Kodak has been a leader with a multipronged effort. Last May Kodak announced plans to switch to recycled paperboard for its consumer film packaging, and to recycle both single-use cameras and the plastic and metal parts of 35mm, 110 and 126 film cassettes. More recently, the company switched to recyclable plastic packaging on its Ektar film line.

Kodak has also created Kodak Imaging Environmental Support Services (KIESS), as well as new EPA and OSHA compliance kits for minilabs and developers. More earth-friendly chemicals have also been developed for Kodak's Ektacolor RA 100 minilab.

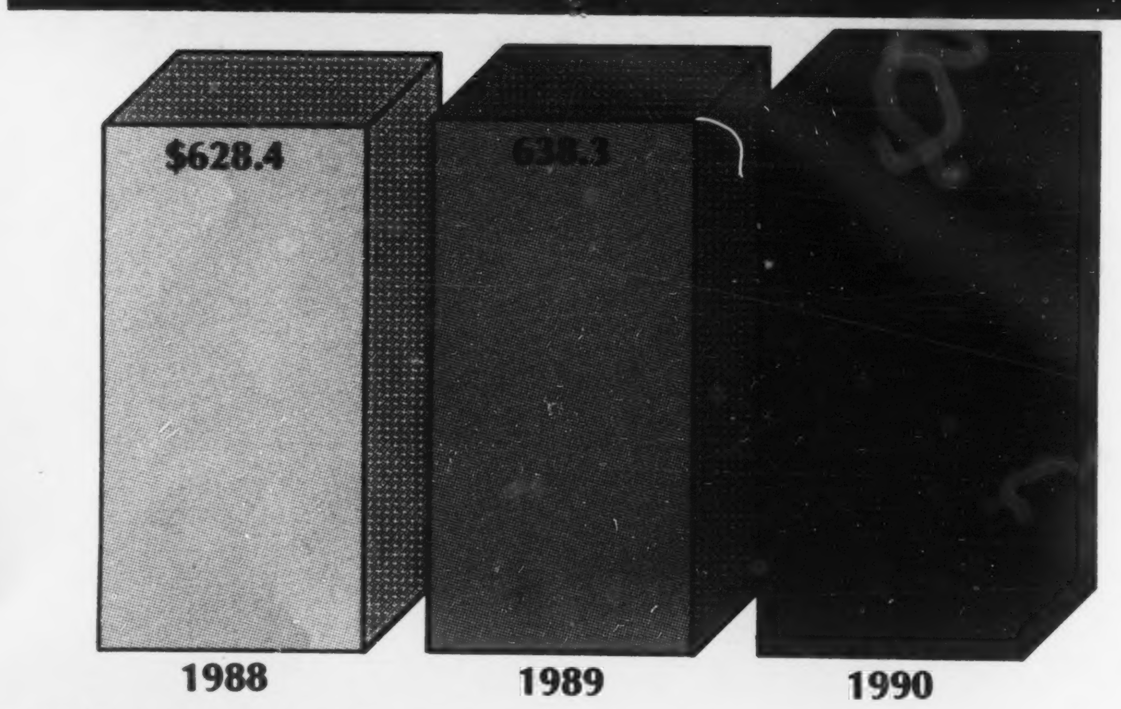
Fuji has kicked off a round of recycling and waste disposal efforts of its own, beginning with its disposable cameras. Fuji reimburses photofinishers for each Quicksnap sent to collection centers in New Jersey and California, and highlights the program on packaging.

In addition, Fuji has created a new assistance program on the handling and disposal of photographic chemicals.

Agfa Corp., meanwhile, has rolled out more earth-friendly chemicals and a new program to assist labs with conservation efforts, called Environmental Awareness and Response That Helps (E.A.R.T.H.).

*User upgrades in 35mm film drive dollar sales . . .**

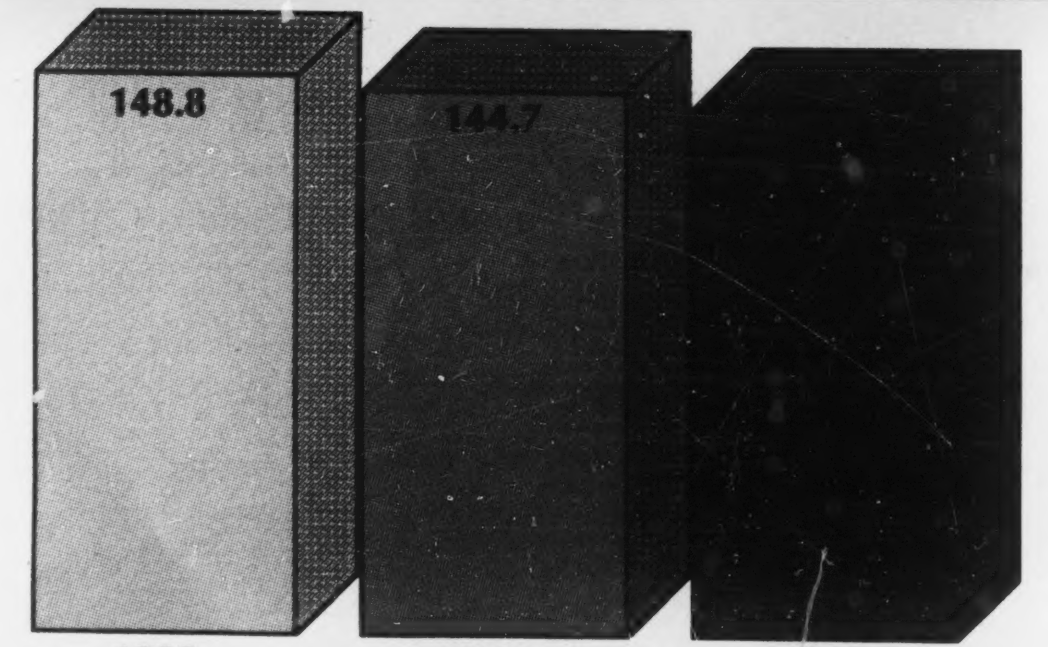
(Dollars in millions)



*Includes chains, deep discount drug stores and independents.
Source: Nielsen Marketing Research.

. . . as unit sales slip

(Film unit sales in millions)



Source: Nielsen Marketing Research.

Drug chains test on-site photo processing

The new generation of ultra-compact "micro labs," which are said to be easy-to-use, is stirring up the film developing market and potentially opening new opportunities for chain drug photofinishers.

Mini labs, micro labs' larger relatives, meanwhile, have helped some drug chains maintain market share in competitive markets by expanding the options they can offer customers. The retailer benefits with higher-margin sales in the niche of quick film developing. Yet, the supermarket and discount chains have also installed mini labs.

Drug chains are feeling more competition from chains including Kroger, Wal-Mart, Randall's and Safeway, all of which are adding on-site labs at a rapid pace. What's more, the combos, discounters and deep-discounters often have the space in newer prototype stores to build full-fledged photo departments. These can have a "store within a store" ambiance that helps underline the retailer's commitment and signals quality service.

Combo stores and discounters as a result have achieved rapid growth in photoprocessing and film market share, while drug chains' growth in the categories has moderated. Mini labs can indeed be a double-edged sword.

Wholesalers like Qualex are moving into "on site" processing. Qualex will market a "micro-lab" to its wholesale customers, recognizing that demand for same-day photo finishing is here to stay.

Several drug chains are also testing micro labs, which combine into one box film development and printing. Suppliers including Print Technology-/PhotoGo, Noritsu, and Greytag, have built systems with small footprints and that are easy to use.

Perry, F&M, and Revco are among chains who have tested the micros. Longs, meanwhile, has signaled it will expand testing of its on-site photo development program.

Bartell Drugs merchandises picture frames in the photo and electronics department in this Seattle store.

Heavy chain promotion makes powerful battery sales

The drug chain channel saw sales growth in batteries of about one percent in 1990, as battery sales leveled off after years of strong growth. Yet with projected unit sales growth of two percent to three percent for the next several years, batteries should continue to be a major profit source.

Home owners and families need them as much or more than ever, batteries allow effective cross merchandising, and provide a value for the consumer with maximum profit yield for the retailer.

Though shrink-wrapped product by Eveready and Rayovac, conserving space, convinced some drug chains to post displays at the checkout, other chains find that new space for battery displays has been hard to find. Multi-sided end cap racks have worked well in exposing the energy cells for impulse purchase.

Duracell and Eveready have moved well set on wing wrap and end cap displays in the summer months at Crown Drug, says buyer Mike Gentry.

Wellby in Maine places batteries on prominently-placed end caps and secondary spinner displays as the stores have recognized the advantage of multiple merchandising locations, said gm-buyer Carl McDonald.

"We're using power wings for batteries up front, and clip strips over the toy area, placing batteries by any toy that's battery operated," said buyer Jerry Houghton at Kinney, a chain that emphasizes toys.

Rite Aid has posted "stable" sales with its Rite Aid private label line accounting for about 35 percent of its battery SKUs. Eveready and Duracell round out the assortment. "Manufacturers haven't come up with any new toys or electrical gadgets," said spokesperson Amy Lilly.

Kodak appears to be losing drug chain shelf space, after having dropped its national advertising and merchandising support last year. Kinney dropped them when the advertising nose dive slammed sales. Wellby also cancelled its Kodak account to favor Eveready, Duracell and its private label line.

"It's difficult to sell a product that's struggling against the two name brands, without any ad support," said Wellby's McDonald.

Duracell's and Eveready's rebating to consumers will continue hot and heavy this summer. Most drug chains wait for the fourth quarter to spring their promotions.

Its a period when sales will jump 119 percent with an ad, 122 percent with off-shelf display, and 164 percent with the two strategies combined, says Gary Baker, Eveready's, vp trade development.

Home-owners and families need them as much or more than ever.

Battery unit growth

(Drug store unit sales in millions)

Year	Units
1990	438.3
1989	447.8
1988	435.4

Source: Nielsen Marketing Research.

Drug chain battery growth

(Drug store sales in millions of dollars)

Year	Sales
1990	$410.8
1989	410.1
1988	394.6

Source: Nielsen Marketing Research.

Batteries and flashlights receive maximum front-of-store exposure in Austin Drugs.

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DRUG STORE NEWS® for the PHARMACIST

VOL. 1/NO. 6 The Journal of Retail Pharmacy JUNE 24, 1991

NEWS FOCUS

- For years now, FDA has taken a hard line on sunscreen products, maintaining that there is no extra benefit to those with "Sun Protection Factors" (SPFs) above 15. That line appears to be softening, however, and officials at the agency's Division of OTC Drug Evaluation are indicating that FDA now sees a role for sunscreens with SPFs as high as 30.

- Seems like pharmacy's ethical standards are changing faster than they used to. In the 100 years following the adoption of APhA's Code of Ethics in 1852, it was revised only once. Over the last 40 years the APhA code has been updated four times (1952, 1968, 1975 and 1981) and now the association has decided "it is appropriate to review the code once again" in light of "the evolving mission of pharmacy and the changing health care environment." Pharmacists are being asked to suggest possible code changes to APhA.

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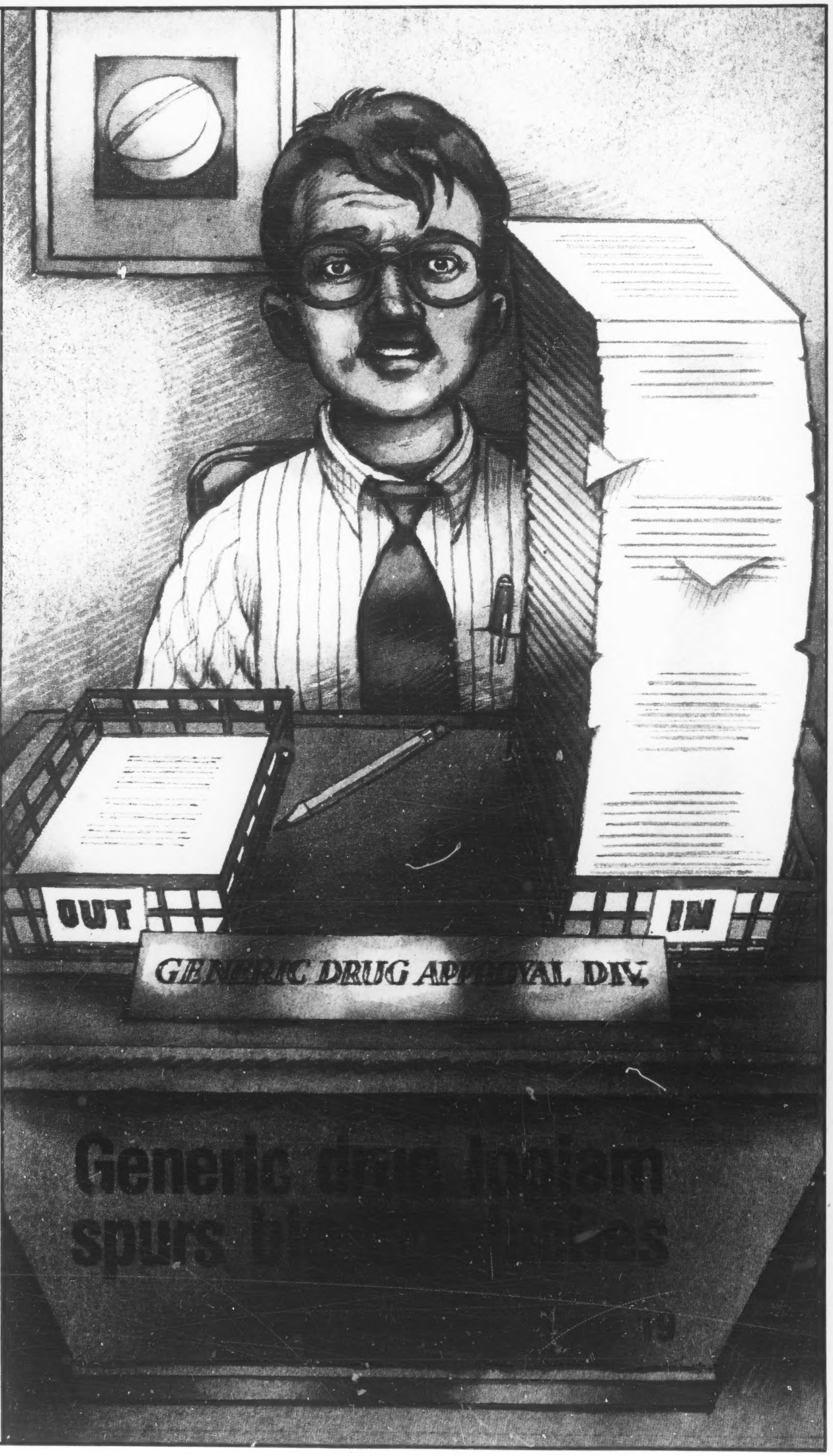

Generic drug logjam spurs [illegible]

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In Beeville, Tex., independents get stung

By Elizabeth Richardson

In downtown Beeville, Tex., the economic crunch is being felt as two out of three drug stores at the town's main intersection—the Rexall at the far left corner and Conoly at the far right—now stand empty.

BEEVILLE, TX. — Some things in Beeville aren't buzzing as they used to.

Independent pharmacy, in this town 90 miles south of San Antonio, is close to being obsolete. Just six short years ago, six independents served a population of 15,000. Three have shut down since January. Only two have survived the latest forces to hit the market. And more trouble is on the way.

Beeville has seen many indications of trouble over the last several years forshadowing the current state of affairs.

Within the last 10 years, two chains have emerged on the scene—Eckerd and H.E.Butt, the regional combo store operator. Each has offered cheaper prices than Beeville residents had previously seen. In addition, Kmart and Wal-Mart have moved in. The two discounters currently don't have pharmacies. Yet over 30 businesses closed after their arrival, including "mom and pop" businesses, and hardware, lumber, auto and clothing store retailers.

Meantime, the local economy has suffered. The declining oil economy of the mid-1980s, and recent crop failures from drought and flooding have battered farming and ranching, the region's predominant industries.

The area's naval base, Chase Field, is being closed. Chase Field has employed 2,250 people, or 35 percent of the county's jobs.

Although the state is building a maximum security prison in the area—slated to open in late 1992—not all of the jobs lost from the naval base can be replaced.

"All of these factors have been very devastating to the community," says Bill Morgan, a former independent pharmacist who just moved to Eckerd. Morgan shut down his store this month after 28 years of business.

"Pharmacy trends haven't helped a lot either. Just four years ago, I was thriving, with third party having four percent of my business. Right before I closed it was over thirty-five percent. Reduced rates, slow pay, and restricted cash flow don't promote a healthy business," said Morgan.

Some businesses, meanwhile, (a local pipeline transmission company, for one) have moved to mail order prescription plans.

These dynamics taken together have pressured independents to bring their often long business histories to a close.

The main intersection downtown saw a flurry of recent foldings. In January there were three pharmacies. One closed, at a site that had housed a pharmacy for 98 years. In May, Morgan's store closed, leaving but one survivor at the crossroads, run by Schulz and Wroten, Inc.

Personal dreams collapsed with the businesses. Morgan was forced to withdraw this spring from a campaign for president of the state's pharmacy association. Due to his store's somewhat sour business propects, his partner pulled out and went to work for H.E.B.

"Suddenly putting in a 60-hour work week at the age of 52 was a strain, to say the least. With that kind of schedule, I just could not function in a TPA office capacity."

Morgan feels that many smaller independents in economically-strapped towns will probably end up employed at chains as he is.

"After I got out pharmacy school, all of the trade magazines were saying that the corner neighborhood store was a thing of the past. And now that's really happening. Most of us are being bought out by the chains.

"I've worked in a pharmacy setting for 38 years—since I was in the eighth grade—and I've never felt more like a dinosaur than I do now."

Texas indys lose some ground
Number of Texas independents

Year	No. of Independents
1991 (May 1)	1,920
1985	2,199
1980	2,251

Source: Texas State Board of Pharmacy.

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Generic drugs grow stronger after hardship, survey says

NEW YORK — There are strong indications in the latest Generic Drug Substitution Study that the underlying strength of the generic drug industry is proving to be the catalyst for strong and growing retail confidence in the industry's products.

The 1991 study conducted by *Drug Store News for The Pharmacist* covers mailed replies from pharmacy directors representing some 3,000 pharmacies operating by drug chains, supermarkets and mass merchandisers.

The study shows that the directors are much more positive about the generic companies that came through the 1989 scandals untarnished. As one director put it: "We still have a high level of confidence in the generic manufacturers we buy from."

Wrote another: "We were tentative at first. We're more positive now."

Indeed the study shows that the large majority of the chains in the sample have increased their purchases of generic drugs in response to growing demand from consumers, physicians and third-party payors. Asked about the trend in generic prescriptions, more than three-quarters of the respondents (78 percent) said the number had increased, while 22 percent said it had remained the same. No one reported a decline.

In comparison, 17 percent of the respondents to last year's survey reported a decline in generic prescriptions.

One reason for the growth, of course, is that physicians have been writing more prescriptions either generically or substitution permitted. The study showed a small increase in both generic and substitution-permitted prescriptions and a small decline in brand-only scripts.

Asked tc rate the key factors in deciding to substitute a generic, pharmacy directors

Continued on page 29

Physicians write more generic prescriptions

(Percent of current prescriptions vs. 1990)

How written	Now	1990
Generically	20.0%	17.6%
Brand only	17.9	19.6
Brand/substitution permitted	32.3	31.7
Single source drug only	29.7	31.1

Source: *Drug Store News/For the Pharmacist* 1991 Generic Substitution Study

How generic substitution is promoted

(Pharmacy directors rank promotion vehicles)

1. **Pharmacist recommendations**
2. **In-store signs**
3. **In-store brochures**
4. **Newspaper ads**
5. **Promotions on prescription bags**
6. **Radio**

Source: *Drug Store News/For the Pharmacist* 1991 Generic Substitution Study

Pharmacy directors answer key questions on generics

	Yes	No
Do you encourage pharmacists to substitute a generic, when permitted, if a brand is written?	91%	9%
Do you offer monetary incentives to your pharmacists for substituting generics?	19	81
Is generic substitution promoted to customers in your stores?	91	9
Do you think the influx of generic drugs has financially hurt innovative drug manufacturers from performing R&D?	4	96
Would you personally take a generic drug over a branded one if it were available?	91	0*

***9% indicated "sometimes"**

Source: *Drug Store News/For the Pharmacist* 1991 Generic Substitution Study

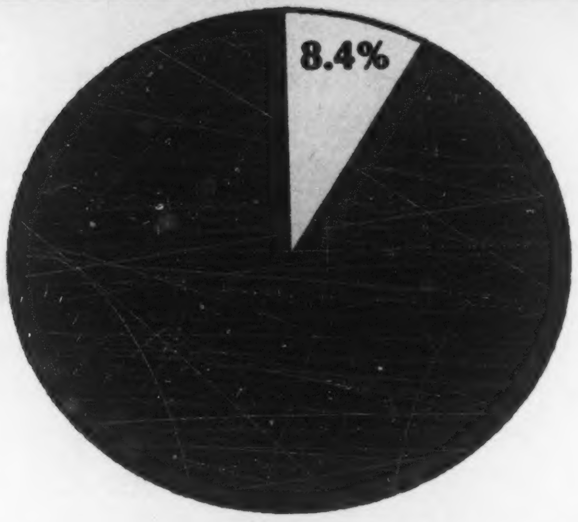
Pharmacy directors rank branded drugs substituted most often

1. **Tylenol w/Codeine #3**
2. **Amoxil**
3. **Darvocet-N 100**
4. **Motrin**
5. **Vicodin**
6. **Keflex**
7. **Diazide**

Source: *Drug Store News/For the Pharmacist* 1991 Generic Substitution Study

After hardship, generic drugs grow stronger

Percentage of pharmacists' average day spent consulting on generics



Source: *Drug Store News/For the Pharmacist* 1991 Generic Substitution Study

Continued from page 26

ranked cost savings to the consumer as number one. Third-party and state requirements came next, followed by patient requests and profitability of generic products.

Pharmacy directors were asked to rank the reasons for choosing one generic company over another. Leading the list of factors, not surprisingly, was the therapeutic bioequivalent quality of the drug. Service provided by the company came next, following by the professional reputation of the generic company and the availability of generic products from the companies.

The overwhelming majority (96 percent) of the directors said they encourage their pharmacists to consult with patients on generic subsitution. On average, they estimated, pharmacists spend almost one hour a day (or about 8-9 percent of their time) consulting on generics.

Most directors also said generic substitution is promoted to customers in their stores. The biggest promotion vehicle: pharmacists themselves. Other methods of promotion they listed included in-store signs and brochures, newspaper ads, and prescription bag promos.

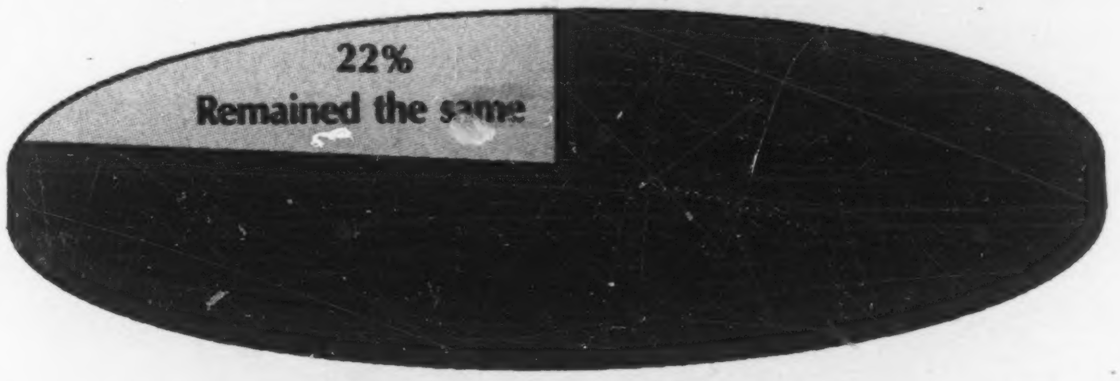
Directors were asked if they thought the influx of generics had any effect on research and development of the brand-name drug manufacturers. More than nine in ten respondents said no. "New products continue to be marketed," noted one director, "and the innovative manufacturers continue to be profitable."

In an "acid-test" question, the directors were queried on whether they personally would take a generic drug over a branded one if it were available. Nine out of 10 respondents said they would. The remainder were a bit more cautious. They said "sometimes." □

> *Most directors said substitution is promoted to customers in their stores. The biggest promotion vehicle: the pharmacists themselves.*

Generic prescription growth

(Trend in generic prescription count in past year)



Source: *Drug Store News/For the Pharmacist* 1991 Generic Substitution Study

Key factors in decision to substitute generics

(Pharmacy directors rank factors in order of importance)

1. **Cost savings to the consumer**
2. **Third-party or state requirement**
3. **Patient requests**
4. **Profitability of generics**
5. **Store/company policy**
6. **Rebates/other incentives**

Source: *Drug Store News/For the Pharmacist* 1991 Generic Substitution Study

Why pharmacists choose one generic company's drug over another's

(Pharmacy directors rank qualities in order of importance)

1. **Therapeutic/bioequivalent quality of drug**
2. **Service provided by company**
3. **Professional reputation of generic company**
4. **Product availability**

(Other mentions: price, company policy, consistency)

Source: *Drug Store News/For the Pharmacist* 1991 Generic Substitution Study

C5150-2

The newspaper of drug store retailing July 15, 1991

DRUG STORE NEWS

Vol. 13 No. 13 A Lebhar-Friedman publication

LATE NEWS

•TWINSBURG, Ohio — Revco's purchase of 31 former Peoples drug stores from CVS became official July 2 following government and bankruptcy court approvals. The sale gives Revco 29 more units in Virginia—most in the Tidewater region—and two in North Carolina. Purchase price for stores, fixtures and inventories was over $10 million, according to a Revco source.

FEATURES

Marketplace 91

Marketplace gets straight As

Retailers and suppliers in attendance gave high grades to the fifth annual NACDS Marketplace. **Page 3.**

New strategies spark GM mix

Smart merchandising keeps candy, hosiery, pictu[illegible] albums ste[illegible] ers at ch[illegible]

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SECOND CLASS

Phar-Mor secures $200M infusion

By James Frederick

YOUNGSTOWN, Ohio — Phar-Mor has sold a 17 percent ownership stake to an investment group for $200 million in a private placement, marking a significant move beyond its closely held roots.

Phar-Mor announced June 27 that it had sold a $200 million equity investment in the form of common stock and warrants to Corporate Partners, a $1.6 billion fund affiliated with Lazard Freres & Co. The deal makes the investment firm a major partner in Phar-Mor's future development, and gives its managing director, Jonathan Kagan, a seat on Phar-Mor's board of directors.

Lazard also acts as financial advisor to Revco D.S.

The entry of a new partner dilutes somewhat the equity stake held by Giant Eagle Corp. and other early Phar-Mor investors, particularly since $125 million of the purchase sum will be used "to increase the company's equity base," according to Phar-Mor. But the sale gives Phar-Mor a much-needed infusion of cash at a time when its rapid growth has at times almost outpaced its ability to generate sufficient operating and growth capital.

The company's cash-flow and profitability have been the subject of speculation, particularly among vendors who chafe at Phar-Mor's aggressive dealmaking and payment practices. That speculation turned intense earlier this year after several vendors temporarily cut off shipments to some stores. Problems with

See **Phar-Mor** *on page 29*

Thrifty Drug sets out to remake its image

By David Vaczek

LOS ANGELES — Thrifty Drug is rolling out a remodel featuring highlighted core departments and lower prices, Eve Rich, Thrifty Drug president told *Drug Store News*.

Calling its new approach "more in tune with the California customer," Rich said it will focus more closely on the female shopper, in response to findings of an extensive consumer research study completed recently by Management Horizons.

"It's not a totally new prototype. That will happen next year. But if you walk in you will say, 'this is not the old Thrifty,' " said Rich, the former merchant of womens' fashions who was named president in December.

A key feature of the new store, Rich said, will be lower pricing that signals value to the consumer. "We want to be known for value. I think our prices were higher than they should have been. We've adjusted prices throughout the chain," Rich said.

Also, certain departments will be set up as "shops" with broader assortment. Stores will have "a drug store core, with destination worlds around it," said Rich, adding that the mix in featured departments will be "superior to our competition."

Vendors of the 622-drug store chain are behind the changes, which follow the replacement of many top Thrifty executives during the past 12 months, and the search by parent Pacific Enterprises for a new retailing focus.

"The overall goal is a good one; they are trying to change Thrifty's image," said one supplier.

"Management Horizons

See **Thrifty** *page 29*

Thrifty
Did you know that Thrifty has just lowered prices on over 3,500 items?
ALL PACKAGES BAGS KNAPSACKS RETURNS
BEFORE

Thrifty Drug has a test under way in 35 San Diego stores that incorporates lower prices on 3,500 SKUs with higher levels of in-store service.

A.L. Price in top ranks with Freddy's buy

RYE, N.Y. — The planned purchase of Freddy's Deep Discount Drug Stores from Melville Corp. will thrust A.L. Price into the upper ranks of off-price retailing and nearly triple its sales and store count.

The deal, announced June 21 and expected to close by September, will also boost A.L. Price well outside its Detroit-area confines. Chain president Bill Edwards has reportedly sealed an agreement to purchase 25 of the 29 Freddy's units, including those based in and around Freddy's home base of Rochester, N.Y. and all units in south Florida. The Richmond, Va. Freddy's stores weren't part of the agreement, a source said.

Eckerd bid for Revco gets 'thumbs down'

TWINSBURG, Ohio — The board of directors and some creditors of Revco D.S. have rejected an unsolicited buyout proposal from Jack Eckerd Corp. first presented in mid-May.

"Eckerd's expression of interest . . . was discussed with Revco's banks and official creditor committees in terms of whether it might reasonably serve as a basis for a plan of reorganization, and was considered by Revco's board of directors at its meeting on June 6," Revco reported in a statement. "These constituencies concluded the expression of interest provided insufficient value to warrant further discussions at this time."

Under bankruptcy protection, Revco's own efforts to arrive at a reorganization plan that would leave it intact and independent take precedence over outside expressions of interest. Thus, the company need take no immediate action in response to Eckerd's proposal.

Eckerd was offering an undisclosed amount of cash and stock for Revco, with a total value probably well under $1 billion. Interest in Revco has also surfaced again from at least one other former bidder, the Bass/Acadia Partners investment group, whose earlier bid was also dismissed more than a year ago.

See **Revco** *page 29*

Thrift buys Health Mart from CVS

PITTSBURGH — CVS is selling the 33-store Health Mart division to pull out of western Pennsylvania. Thrift Drug will buy the assets of 31 of the HBA and drug stores, strengthening its presence in and around this city.

Thrift said it will keep 26 stores open, including 13 with pharmacies. Thrift will buy the assets but won't assume the leases on five other Health Marts, which will be closed.

Two remaining Health Marts being sold by CVS were purchased by Robert and Dolores Gabler, the Health Mart chain's founders, who are going back into business for themselves.

The JC Penney-subsidiary, in a deal scheduled at press

See **Thrift** *page 29*

NEWS IN BRIEF

Bergen Brunswig: Raley's wholesaler

SACRAMENTO — Raley's, a 64-store combo operator based here, recently severed a 30-year relationship with McKesson Drug and picked Bergen Brunswig as its primary wholesaler for pharmaceuticals, OTCs, HBA and selected sundries and general merchandise. The two-year agreement took effect May 1, and the changeover is under way.

Monus ready to play ball

YOUNGSTOWN, Ohio — Michael Monus, president of fast-track Phar-Mor, is apparently driven by two loves: his torrid drug chain and sports. And he promises he can manage both.

He told *Drug Store News* he feels his part in the planned purchase of a National League baseball franchise for Denver won't interfere with Phar-Mor. "This is a personal investment. I'm going to continue to stay in Youngstown," said Monus.

Monus is one of three managing general partners leading 14 investors who will pay $95 million for the franchise.

The award to the investors still required one more vote at press time. An expansion committee and panels representing National and American League team owners have endorsed new teams for Denver and Miami. But American League owners still have "questions about some of the logistics of expansion," said Katy Feeney, vp-media and public affairs, National League.

Monus' two other managing partners are John Antonucci, head of the Superior Beverage Corp., Youngstown, and Steve Ehrhart, commissioner of the World Basketball League, Monus said.

Price Chopper accepts batteries

SCHENECTADY, N.Y. — Five Price Chopper stores in Schenectady County are now dropoff sites for household batteries.

The county, which asked the supermarket and combo chain to participate in the program, handles the pickup from the stores and deals with the refiner, said a Price Chopper spokeswoman. The collection containers, which Price Chopper designed and put at service desks, are "well-used. . . It's a nice partnership," she said of the program, which began in late March.

American Stores caps sales

SALT LAKE CITY — Sales of two big blocks of drug stores and supermarkets have been finalized in recent weeks, marking a probable end to major divestitures by American Stores.

The company's American Drug Stores subsidiary completed the sale of 51 Osco drug stores to Pay Less Drug Stores over a two-week period in mid-June. The $60 million deal includes all 30 Osco stores in Colorado, as well as 20 Oscos in Utah and a single unit in Wyoming. It gives Pay Less a powerful entry into the Denver and Salt Lake City markets and boosts Pay Less store count to 378 units in 11 western states.

In mid-June American Stores also completed the sale of 142 Alpha Beta supermarkets in Southern California to Food 4 Less for $251 million. Under terms of a divestiture agreement worked out with the California attorney general, American retained 15 of its original Alpha Beta stores in San Diego County and will operate those units as Lucky stores.

Arbor readies new Michigan units

TROY, Mich. — Arbor Drugs is nearing completion of three new drug stores in southeastern Michigan which will bring store count to 116 by the end of the summer. The new units, ranging in size from 10,475 to 10,700 square feet, will open in the communities of Southgate, Utica and Mt. Clemens.

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American focuses growth on successful drug division

By James Frederick

SALT LAKE CITY — With its downsizing efforts and management changes largely behind it and earnings on a healthy upswing, American Stores will focus hard on growing its drug store business, president and ceo Jonathan Scott told *Drug Store News*.

"It's a good business for us to be in," Scott said in an interview following the company's annual meeting here June 18. "Basically, our [store] divestiture program is pretty much over. . . and hopefully, our capital spending [for new stores] will increase."

American Drug Stores chairman, president and ceo Dave Maher added that "large asset sales" like the recent sale of 51 Osco drug stores to Pay Less Drug Stores were largely a thing of the past, as were most of the sweeping management shifts that have taken place at the drug store division.

"We're very satisfied with top management now," Maher told *Drug Store News*. "We spent the last year-and-a-half putting that team in place . . .and we feel we're through with the big management shifts."

Maher, a former division vp out of Denver who replaced former American Drug ceo Dick Scott, is himself a beneficiary of those management changes. At this point, he said, virtually all administrative and support functions for American Drug are based in Oak Brook, Ill., with "some buyers in Dallas [for the Skaggs division] and some in California [to handle local buying for Sav-on]."

Scott told shareholders at the meeting that American was successfully meeting two of its main objectives: "To concentrate on improving our earnings and reduce our debt load." The company produced record

Continued on page 29

Mgmt.-investor group buying Austin Drug

EAST MEADOW, N.Y. — Austin Drug, a nine-store chain based on Long Island, is being sold to Austin Acquisition Corp., a group composed of outside investors and two minority shareholders who are members of management.

Interstate Cigar, which filed for Chapter 11 in U.S. Bankruptcy Court for the East District of New York, Westbury, in June 1990, owned about a 70 percent share of Austin. Its share went up for sale at auction in bankruptcy court May 29.

Howard Owen, previously vp-finance and one of two minority shareholders participating in the acquisition group, said he will be Austin's new president, replacing Gary Spielfogel, who left the chain May 30.

Gene Lerner, vp-store operations, is the other minority shareholder participating in the buy. Two other minority shareholders in the old company, Leonard Berger and Ronald Landman, opted not to participate in the acquiring group, but will continue to work for Austin, Owen said. Both are in pharmacy operations.

Abraham Schwartz, an outside investor in Austin Acquisition, has been named treasurer of Austin, Owen said.

Spielfogel, who as a principal of Interstate held a 6 percent-7 percent equity interest in Austin, assembled financing to acquire 100 percent of the chain, but withdrew his bid "without prejudice" before the auction.

A third bidder for Austin was Thriftway Drugs. Thriftway contested the court's decision favoring the management and investor group, but at a hearing in June, the court again ruled in favor of Austin Acquisition.

At press time, Owen indicated confidence that the closing on the $3 million loan with the current lender, CIT Factor, would go through by the June 30 deadline. The acquisition group made a $500,000 forfeitable deposit, he said, adding that financing for the new corporation will probably be through Chemical Bank.

Austin's annual sales are an estimated $45 million.

Green Seal unveils tissue litmus test

By Susan Ball

WASHINGTON — Green Seal, a nonprofit environmental labeling and consumer education organization, recently announced a proposed set of environmental criteria that toilet and facial tissue products must meet to obtain its seal of environmental approval.

It is the first standard the private sector organization has developed for a category since it was formed last year by environmentalist Denis Hayes, one of the founders of Earth Day and chairman of the event in 1990. Dr. Jerry Poje, Green Seal's vp-research, said the next category the program will focus on will be either motor oils or fine papers, followed by light bulbs or water-saving devices.

Green Seal distributed the proposed standard to some 1,400 manufacturers, retailers, government agencies and environmental and consumer groups in mid-June and issued a call for comments, due Aug. 9. A public hearing on the draft is scheduled for Aug. 28 at Green Seal's offices in Washington.

After reviewing the public input, the organization said it will set a final standard and invite manufacturers to submit tissue products for testing by an independent laboratory or laboratories. Green Seal said it expects to start awarding its seal in the fall to products that meet the final standard.

Poje said manufacturers will be charged a per-product fee—the range of which hasn't been determined yet—for the testing and annual monitoring.

Green Seal hasn't completed its lab arrangements, said vp-marketing Lynn Elsasser. "When our standards are finalized, we will set our final pricing," she said. "The standards will determine the testing costs. Our intent is to have fees that are affordable to manufacturers." (Green Cross, a competing labeling program, said pricing for its services ranges from $2,000 to $10,000 on average, per claim.)

The proposed criteria that tissue products must meet (spelled out in more detail in Green Seal's Call for Comments document) include:

- The product must consist of

Continued on page 6

Lyme Disease hits home for two city folk

IN THE MARKET
BRUCE BUCKLEY

Like many people who live in the city, my wife and I didn't pay much attention to the threat of Lyme Disease. Unlike country friends and family who make a nightly ritual of scrutinizing legs and bodies for swollen little ticks, we blithely ignored any possible threat to ourselves. After all, no deer roam the little park a block away from where we live in Queens, N.Y.

In fact, my wife would tell me later, when she got calls from worried parents about the threat of Lyme Disease, she treated them casually. She's an RN who works in a pediatric office in Manhattan, and she gets a lot of calls like that. Lyme Disease? Not to worry. That's not to say she put them in the same class as diaper rash or the common cold. She just didn't share their feeling of dread.

Possible spider bite

That's all changed. One night a couple of weeks back, she asked me to check out a couple of bites on her leg. They had begun to itch during the day. She was afraid it was the work of a spider. Ever since her hand blew up after being bitten by a spider on a wilderness canoe trip several years ago, she's been terrified of spiders. I looked at the bites. They weren't swollen, so they couldn't have been caused by mosquitoes, as I first suspected. They were surrounded by a ring, like the moon when a storm's coming. A red ring.

Lyme shot into my mind, but I didn't say anything. "Might be a spider," is what I did say. The next day I said, "Maybe you ought to have a Lyme test done in the office." She was skeptical. Where could she have been bitten? Perhaps on a weekend trip to Vermont on the Memorial Day weekend, I suggested.

Magic bullet

A week later the result came back from Stony Brook Medical Center on Long Island. Reactive, meaning positive. Not even borderline. For her, in a way, it was a relief to know what was causing those achy knees and shoulder joints and periodic feelings of utter exhaustion. It was caused by a nasty little organism that can burrow deep and bring on severe illness if left undetected. Fortunately pharmaceutical science has provided some swift magic bullets to combat the little invaders. Fortunately, too, the onset was diagnosed quickly.

For Joan the magic bullet was the systemic tetracycline named Declomycin. Taken twice a day for two weeks, the drug is said to be highly effective against the spirochete that causes Lyme. She's in the middle of the two-week course of treatment, but no longer worried. The aching joints have begun to subside.

As a sidelight, it wasn't easy to get the drug. Our local chain pharmacy, where we do most of our drug store shopping, was out of stock. The pharmacist called around to several nearby stores in the chain, and they had none either. Could we wait a day for an order to come in? No way, my wife said.

Warning

The pharmacist, who knows my wife is a nurse, did talk about precautions. Don't take any antacids, she said, and stay out of the sun, you can broil. Interestingly, the pharmacist staffing the independent drug store where my wife finally located a supply after many calls offered no such warnings.

This pharmacist silently took the $100 and handed her the package. So much for stereotypes about chain and independent pharmacists. People are just, well, people.

Is discussing third-party programs a conspiracy?

WASHINGTON PERSPECTIVE
KEN RANKIN

Strange things are happening here in Washington.

Over at the the Supreme Court, First Amendment advocates are arguing that nude bar room dancing is a Constitutionally-protected expression of speech.

Meanwhile, six blocks away at the Federal Trade Commission, an administrative law judge effectively ruled that drug stores have no right, constitutional or otherwise, to jointly discuss the pros and cons of being in various third-party prescription drug programs.

According to the FTC ALJ, Oakfield, N.Y.-based Peterson Drug illegally conspired with a number of other New York state drug chains to boycott a third-party prescription drug program during the mid-1980s.

The judge's decision caps some three years of investigations and regulatory proceedings surrounding an aborted attempt by administrators of a third-party prescription plan for New York state employees to set unrealistically low reimbursement levels to pharmacies.

Following meetings to discuss the new reimbursement plan, many chains, as well as independent druggists, declined to take part in the program. So many rejected the arrangement that the state recanted and developed a more acceptable reimbursement formula.

FTC antitrusters in Washington cried foul and charged a number of chains and independents with conspiring to engage in an illegal boycott of the New York plan. All the defendants except Peterson settled with FTC by signing consent orders agreeing to refrain from third-party "boycotts."

Last month's ruling against Peterson, if upheld, will not only bar the chain from entering into third-party boycott agreements in the future, but will also prohibit the company from informing other pharmacies whether it will participate in various third-party drug programs.

There are legitimate reasons for Peterson Drug to discuss the advantages and drawbacks of participation in third-party drug plans—reasons that have nothing to do with conspiracies to boycott programs.

Third-party programs establish the terms for participation by pharmacies and offer those terms on a take-it-or-leave-it basis. Sometimes, reimbursement levels are set so low that participating pharmacies may actually lose money by filling these prescriptions. But if a significant number of drug stores in the area participate in that program, it may be financial suicide to turn down the third-party's reimbursement ultimatum.

However, not all third-party plans attract high levels of pharmacy participation. Drug stores can safely decline to participate in these programs if reimbursement terms are unreasonable.

The point is that drug stores have a legitimate reason to determine the degree of participation in third-party plans by other retail pharmacies. Indeed, without this information, it may be impossible to make an informed decision on whether or not to participate.

Does the sharing of this information constitute proof of a conspiracy to boycott third-party plans? I don't think so.

As long as pharmacies don't mutually agree on a course of action, shouldn't they be allowed to discuss their options with one another?

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A checkstand at Wellby, Falmouth, Me., displays bar candy and gum on shelves and small Whitman's boxes atop counter.

In health survey candy is shortchanged

Consumers sugar-coat certain foods as healthy and shortchange the diet-sweetening potential of candy, findings of a recent National Confectioners Association survey indicate.

Adult respondents to a nationwide telephone poll consistently overestimated the levels of fat, cholesterol and calories in certain candy items, while overrating some snack foods perceived as "healthy," the survey found.

Cambridge Reports, in a random sample, surveyed 1,250 persons for the NCA study. Lancaster Labs, Lancaster, Pa. tested the content levels in the food and candy products. The survey focused on eight specific candy and food items, asking consumers to rank them on their contents.

The results show a gap between perception and reality:

- Nearly 75 percent of the surveyed felt a chocolate bar had a medium or high level of cholesterol. Actually, a 1.65 ounce bar contains 12 milligrams cholesterol, less than seven milligrams per ounce; while a one ounce piece of cheddar cheese contains 30 milligrams.
- Respondents incorrectly favored breadsticks over butterscotch discs on the subject of fat content. Thirty eight percent thought the discs were high in fat, while 58 percent felt breadsticks had a low to medium fat content. In fact, there is only one gram of fat in five butterscotch discs, a quarter of the fat contained in three breadsticks.
- A half cup of candy corn holds 110 calories; a half cup of raisins weighs in at 250 calories. Yet, 68 percent mistakenly said the candy corn was high or very high in calories, and 44 percent incorrectly said a half cup of raisins is low in calories.
- A one ounce serving of licorice twists contains only 10 milligrams of sodium. A 1.5-ounce serving of iced devil's food cake packs 241 milligrams.

People are eating more candy

(Per capita consumption)

Year	Pounds
1990	20.7
1989	19.8
1988	19.0
1987	18.3
1986	18.4

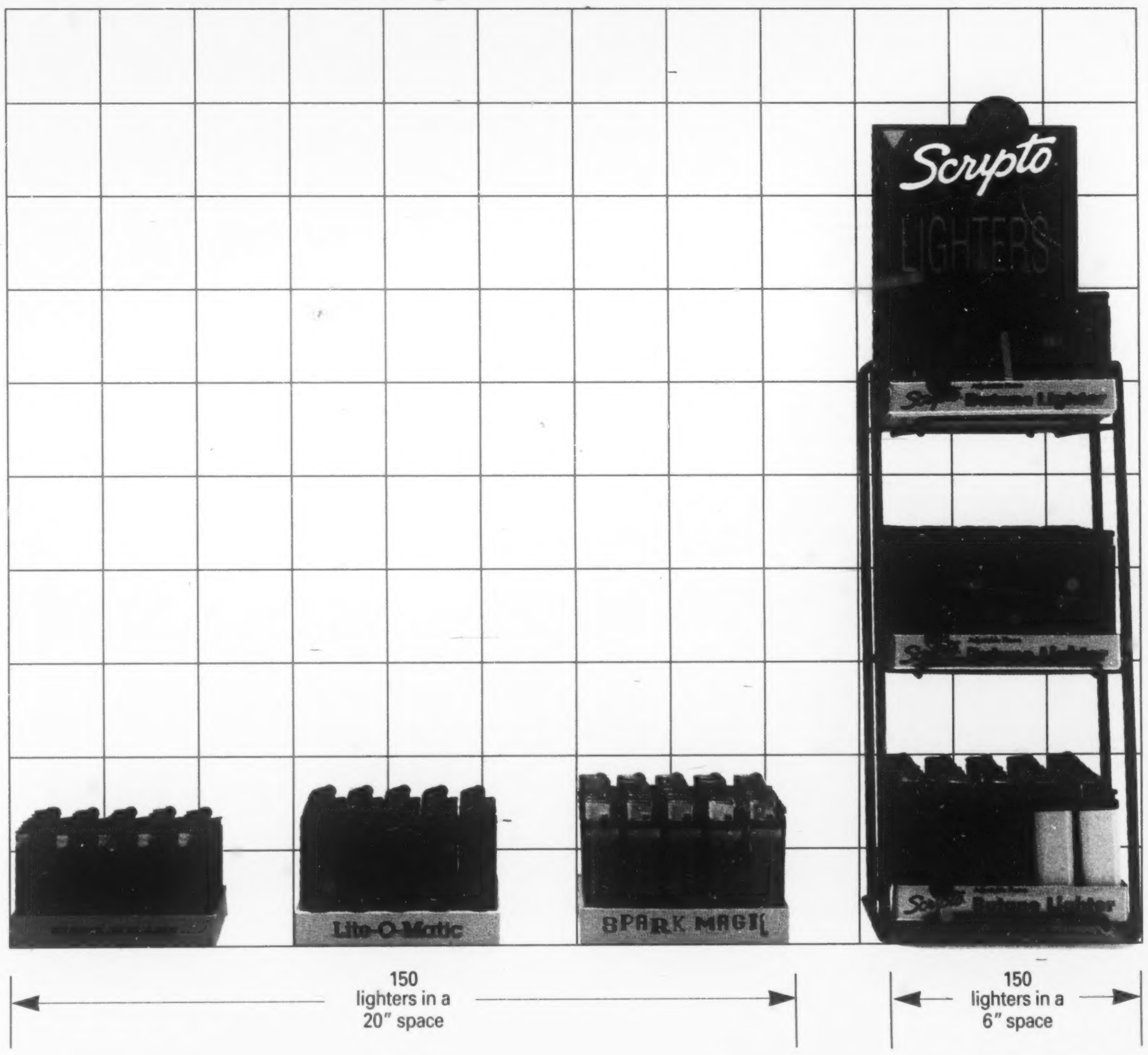
Source: National Confectioners Association.

Candy sales grow

(Mfr. sales, in billions)

1990	$9.70
1989	8.83
1988	8.38
1987	7.68
1986	7.68

Source: National Confectioners Association.



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Hosiery market share
(of retail dollar sales)

Outlet	1988	1989	1990
Discount	22.4	20.6	25.3
Drug/grocery	26.4%	26.0%	22.2%
Department	14.5	15.7	15.0
Specialty	7.6	7.7	6.7
Other	29.1	30.0	30.8

Source: NPD Consumer Purchase Panel, National Association of Hosiery Manufacturers.

Impulse buying, demand for accessories help hosiery sales top $3 billion mark

The chain drug hosiery department has been a steady and seaworthy vessel in choppy economic waters over the past year, despite leakage in some highly competitive markets. Chain buyers report that hosiery sales have held up well in a difficult sales climate.

"I haven't seen a slowdown," said Alicia Edevane, hosiery buyer for I got it at Gary's in Eagleville, Penn. "Sales continue to go up . . . and margins are generally good."

Buyer D'Anna Evans reported that hosiery sales "remain strong and are still going up" at Seattle's Pay 'n Save Drug Stores, although she said the chain has not boosted department size in several years. And a buyer for a medium-sized drug chain in the Northeast told *Drug Store News* that sales "continue to be very strong" for both L'eggs and No-Nonsense.

Industrywide, sales of hosiery, socks and other soft goods flattened somewhat last year after a period of rapid growth, according to the National Association of Hosiery Manufacturers.

"The market is still down somewhat, but we have hopes that the industry will pick up again later this year," said NAHM spokesperson Gina Howard. "Over the last five years, with the exception of 1990, we've seen just phenomenal leaps and bounds in growth."

That growth has pushed the category past the $3 billion retail sales mark, including more than $2 billion for sheer and support pantyhose and nearly $1 billion more for control-top pantyhose. Stockings, knee-highs and anklets make up the rest of the market.

Several factors have been behind the boom in women's hosiery in recent years, including growing demand for working women in need of fashion accessories to spark up everyday wardrobes. The high-impulse nature of the category—thanks to low price points, eye-catching and sophisticated display techniques and promotional activity—has also fueled growth. At I got it at Gary's, for instance, in-line hosiery is positioned near the cosmetics section and occasionally at the checkstands to pull traffic and boost impulse sales, said Edevane.

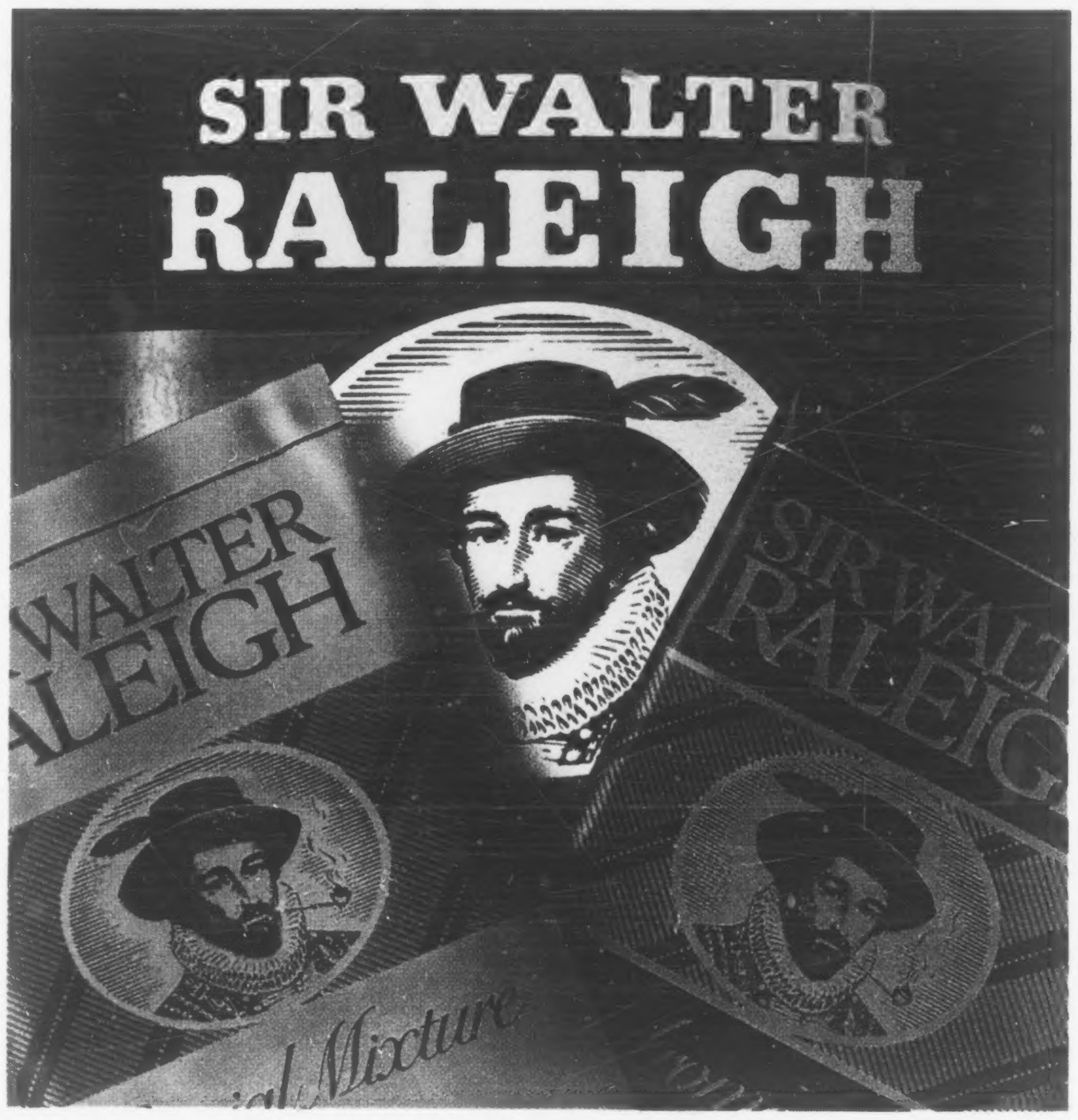
Also fueling dollar growth in the category has been growing demand for newer, less traditional fashion colors like black, off-black and navy.

"We see a lot of interest in the sheer blacks and in ivory, and people are starting to ask for navy," said one buyer.

Added Brad Worthley, vp-U.S. marketing for Canada's Siebruck Hosiery, "Navy blue is making trenendous gains, and black and off-black shades have replaced a lot of brown and suntan shades in some markets."

NAHM's Howard acknowledged that "the basic nude and brown pantyhose are still the biggest sellers," but added that "colors are a growth niche. We now seeing pale blues, pinks and greens, and a lot of ecology colors and earth tones."

Your Perfect Companion



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Revco files reorg. plan

TWINSBURG, Ohio — In a series of painstaking steps aimed at lifting itself out of a three-year bankruptcy, Revco D.S. has filed both a lengthy disclosure statement and a plan of financial reorganization with U.S. Bankruptcy Court in recent weeks. Both must pass muster with Revco's battery of creditors and with the court before the 1,100-store chain can begin to emerge from Chapter 11.

The disclosure statement, filed June 27 and now under review by Revco's three creditors' committees, examines in detail how each class of creditor will be treated under the reorganization plan filed by Revco's board earlier in June. That plan calls for the chain to swap its $1.45 billion in debt obligations for a combination of equity in a post-bankrupt Revco, cash and new debt payment terms the company can manage out of existing cash flow.

If the plan is approved, suppliers who are owed millions by Revco, as well as holders of its several classes of junk bonds, would trade in their claims against the company for a big chunk of ownership in the reorganized firm.

The board's plan, which along with the disclosure statement is still under review by creditors, also seeks the dismissal of most litigation arising out of the company's 1986 leveraged buyout. However, Revco's plan would still allow for court action against Salomon Brothers, which acted as principal investment banker for the LBO, and against former Revco managers Sid and Marc Dworkin and Bill Edwards.

U.S. Bankruptcy Court set an Aug. 2, 1991 hearing date for approval of the disclosure statement. Once approved, it will be sent with the reorganization plan to all creditors and stockholders for a vote that could determine the company's future.

"This is a very important step toward bringing Revco out of bankruptcy," Revco chairman and ceo Boake Sells said of the disclosure statement. "We believe our plans will fairly distribute Revco's value."

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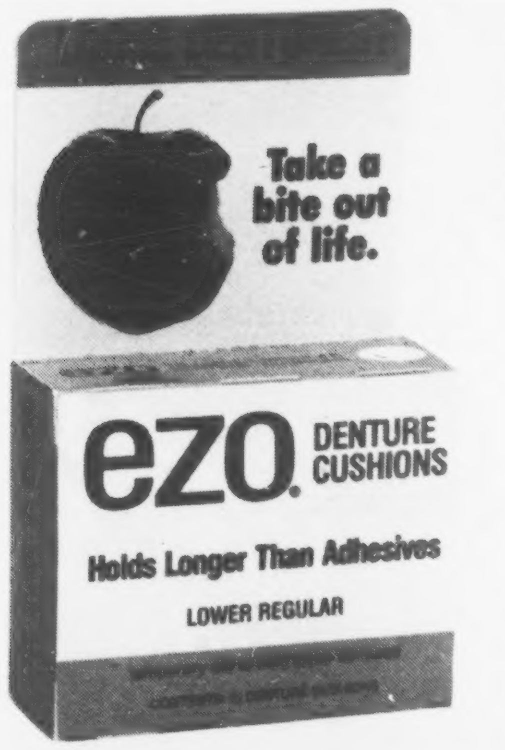
Vol. 13, No. 13 July 15, 1991



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MARKET DIARY:

Largest Dollar Gainer	Fred Meyer	$ 3.00
Largest Dollar Loser	Lilly Eli Co.	$ – 5.63
Largest Percentage Gainer	Bolar Pharmaceutical	21.43%
Largest Percentage Loser	Columbia Labs	– 28.13%

Advances	18
Declines	36
Unchanged	4
New highs	7
New lows	1

	Close 6/6/91	Close 6/28/91	Net Change	Percent Change
Drug Store News Index	4161.53	4073.18	– 88.34	– 2.12
Dow Jones Industrial Average	2994.86	2906.75	– 88.11	– 2.94
Standard & Poor's 500-Stock Index	383.63	371.16	– 12.47	– 3.25
N.Y.S.E. Composite	210.24	203.47	– 6.77	– 3.22
Value Line Index	245.98	234.36	– 11.62	– 4.72

Source: Nordby International Inc., Boulder, Colo.

Exch	Company	Ticker Symbol	Closing Price 6/6/91	Closing Price 6/28/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.63	6.75	0.13	1.89	26	0.00	0.00	7.56	4.50
OTC	Arbor Drugs	ARBR	[illegible]	18.50	– 1.00	– 5.13	22	0.12	0.65	19.88	8.88
OTC	Big B	BIGB	13.75	13.25	– 0.50	– 3.64	–	0.16	1.21	14.50	4.75
OTC	Drug Emporium	DEMP	8.75	8.25	– 0.50	– 5.71	16	0.12	1.45	11.00	6.63
NYS	Fay's Inc.	FAY	14.63	14.00	– 0.63	– 4.27	17	0.20	1.43	15.75	7.25
ASE	Genovese Drug (H)	GDX.A	11.50	12.13	0.63	5.43	15	0.24	1.98	12.50	5.00
NYS	Longs Drug Stores (H)	LDG	43.25	44.00	0.75	1.73	15	1.08	2.45	44.38	30.88
OTC	Medicine Shoppe	MSII	23.25	20.50	– 2.75	– 11.83	17	0.24	1.17	28.75	15.50
NYS	Perry Drug	PDS	7.50	7.38	– 0.13	– 1.67	– 148	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp.	RAD	41.25	42.63	1.38	3.33	16	1.00	2.35	47.75	29.50
NYS	Walgreen Co.	WAG	32.88	33.25	0.38	1.14	22	0.44	1.32	35.88	21.13
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	27.00	25.13	– 1.88	– 6.94	13	0.40	1.59	32.75	21.38
OTC	Bindley Western Ind.	BIND	15.88	14.13	– 1.75	– 11.02	13	0.04	0.28	18.13	8.63
OTC	Cardinal Distribution (H)	CDIC	39.00	37.38	– 1.63	– 4.17	29	0.08	0.21	41.50	18.50
OTC	Durr-Fillauer	DUFM	30.50	32.00	1.50	4.92	23	0.28	0.88	34.75	16.00
ASE	Ketchum	KCH	2.38	2.38	0.00	0.00	– 6	0.00	0.00	2.75	1.25
NYS	McKesson Corp.	MCK	35.13	33.00	– 2.13	– 6.05	13	1.60	4.85	37.13	26.88
ASE	Moore Medical	MMD	6.13	6.00	– 0.13	– 2.04	40	0.00	0.00	9.25	3.50
NYS	Owens & Minor (H)	OMI	23.00	23.00	0.00	0.00	21	0.20	0.87	24.00	10.88
Manufacturer's transactions											
NYS	Abbott Labs	ABT	50.00	51.75	1.75	3.50	23	1.00	1.93	54.00	34.50
NYS	American Home Products	AHP	59.38	59.63	0.25	0.42	15	2.28	3.82	63.88	43.00
ASE	Barr Laboratories	BRL	18.50	18.75	0.25	1.35	40	0.00	0.00	19.88	5.38
NYS	Baxter International	BAX	33.13	32.25	– 0.88	– 2.64	18	0.72	2.23	37.13	21.50
OTC	Block Drugs Co.	BLOCA	55.00	55.00	0.00	0.00	19	0.80	1.45	57.50	29.63
ASE	Bolar Pharmaceutical	BLR	3.50	4.25	0.75	21.43	– 2	0.00	0.00	6.75	1.88
NYS	Bristol-Myers Squibb	BMY	79.25	77.75	– 1.50	– 1.89	22	2.40	3.09	84.88	55.38
NYS	Carter-Wallace	CAR	62.50	65.13	2.63	4.20	19	0.92	1.41	68.00	44.88
ASE	Columbia Labs	COB	8.00	5.75	– 2.25	– 28.13	– 4	0.00	0.00	10.88	3.63
ASE	Forest Labs	FRX	35.63	36.00	0.38	1.05	40	0.00	0.00	42.13	19.00
ASE	Halsey Drug	HDG	5.25	5.00	– 0.25	– 4.76	26	0.00	0.00	5.94	2.13
NYS	ICN Pharmaceutical	ICN	5.13	5.25	0.13	2.44	– 3	0.00	0.00	6.13	2.50
ASE	Lee Pharmaceutical	LPH	1.25	1.13	– 0.13	– 10.00	– 3	0.00	0.00	2.63	0.88
ASE	Leiner P. Nutrition	PLI	11.25	10.88	– 0.38	– 3.33	10	0.00	0.00	13.38	6.75
NYS	Lilly Eli Co.	LLY	77.50	71.88	– 5.63	– 7.26	18	2.00	2.78	90.38	65.63
NYS	Marion Merrell Dow	MKC	34.75	34.75	0.00	0.00	19	0.92	2.65	39.63	25.25
NYS	Merck Co.	MRK	114.88	116.13	1.25	1.09	24	2.24	1.93	122.88	72.38
NYS	Mylan Labs	MYL	25.75	24.25	– 1.50	– 5.83	27	0.20	0.82	28.00	13.75
NYS	Par Pharmaceutical	PRX	3.00	3.13	0.13	4.17	– 2	0.00	0.00	8.13	2.63
NYS	Pfizer Inc.	PFE	56.25	55.50	– 0.75	– 1.33	23	1.32	2.38	60.50	31.88
NYS	Rhone-Poulenc Rorer (s)(H)	RPR	42.25	41.75	– 0.50	– 1.18	174	0.44	1.05	42.75	28.38
NYS	Schering Plough	SGP	50.88	49.75	– 1.13	– 2.21	19	1.32	2.65	54.00	40.38
NYS	Syntex Corp.	SYN	38.50	38.25	– 0.25	– 0.65	21	0.92	2.41	43.75	24.63
OTC	Taro-Vit Industries	TAROF	4.25	4.13	– 0.13	– 2.94	59	0.00	0.00	4.25	1.13
NYS	Upjohn Co.	UPJ	45.63	42.38	– 3.25	– 7.12	16	1.16	2.74	49.25	33.00
NYS	Warner-Lambert	WLA	71.50	72.50	1.00	1.40	19	1.76	2.43	82.25	56.50
OTC	Zenith Labs (H)	ZENL	13.00	11.50	– 1.50	– 11.54	18	0.00	0.00	15.50	5.00
Other retailer transactions											
NYS	Albertson's	ABS	42.88	41.00	– 1.88	– 4.37	23	0.56	1.37	51.38	28.00
NYS	American Stores	ASC	85.50	82.50	– 3.00	– 3.51	15	1.12	1.36	92.38	42.63
NYS	Giant Food	GFS.A	29.50	29.38	– 0.13	– 0.42	14	0.64	2.18	31.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	47.25	43.38	– 3.88	– 8.20	11	0.80	1.84	58.63	37.75
NYS	Kmart	KM	47.75	45.25	– 2.50	– 5.24	12	1.76	3.89	49.50	23.38
NYS	Kroger	KR	22.63	21.38	– 1.25	– 5.52	18	0.00	0.00	24.50	10.63
NYS	Melville Corp.	MES	52.50	48.50	– 4.00	– 7.62	14	1.44	2.97	57.75	32.75
OTC	Fred Meyer (H)	MEYR	16.75	19.75	3.00	17.91	14	0.00	0.00	19.75	10.00
NYS	Penney, JC	JCP	53.75	53.00	– 0.75	– 1.40	13	2.64	4.98	61.38	37.38
NYS	Safeway	SWY	19.50	18.38	– 1.13	– 5.77	18	0.00	0.00	21.63	10.25
NYS	Smith's Food & Drug	SFD	39.50	36.63	– 2.88	– 7.28	25	0.36	0.98	43.75	24.75
NYS	Wal-Mart	WMT	41.88	42.75	0.88	2.09	36	0.16	0.37	44.25	24.88

NOTE: Rhone-Poulenc Rorer completed a 2-for-1 stock split.

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

DRUG STORE NEWS® for the PHARMACIST

VOL. 1 NO. 7 The Journal of Retail Pharmacy JULY 15, 1991

NEWS FOCUS

- Responding to criticism from retail pharmacists, the Arthritis Foundation has scrapped its controversial mail order drug program. The flap erupted when officials at NARD made the "shocking discovery" that CIBA was distributing coupons in pharmacies offering purchasers of its Q-Vel leg cramp remedy discounts on membership in the foundation's mail order drug program. The druggists squawked, CIBA promptly cancelled the promo, and the foundation followed suit by ditching mail program altogether.

- Look for some key changes at FDA to cut the backlog of generic drug approvals and speed the ANDA process. One proposal would concentrate approval energies on "blockbuster" generics—drugs likely to produce significant economic savings in the marketplace. Another FDA plan would "encourage" pioneer drug manufacturers to share production tips with generic competitors in return for a carrot: extended patent life for their products.

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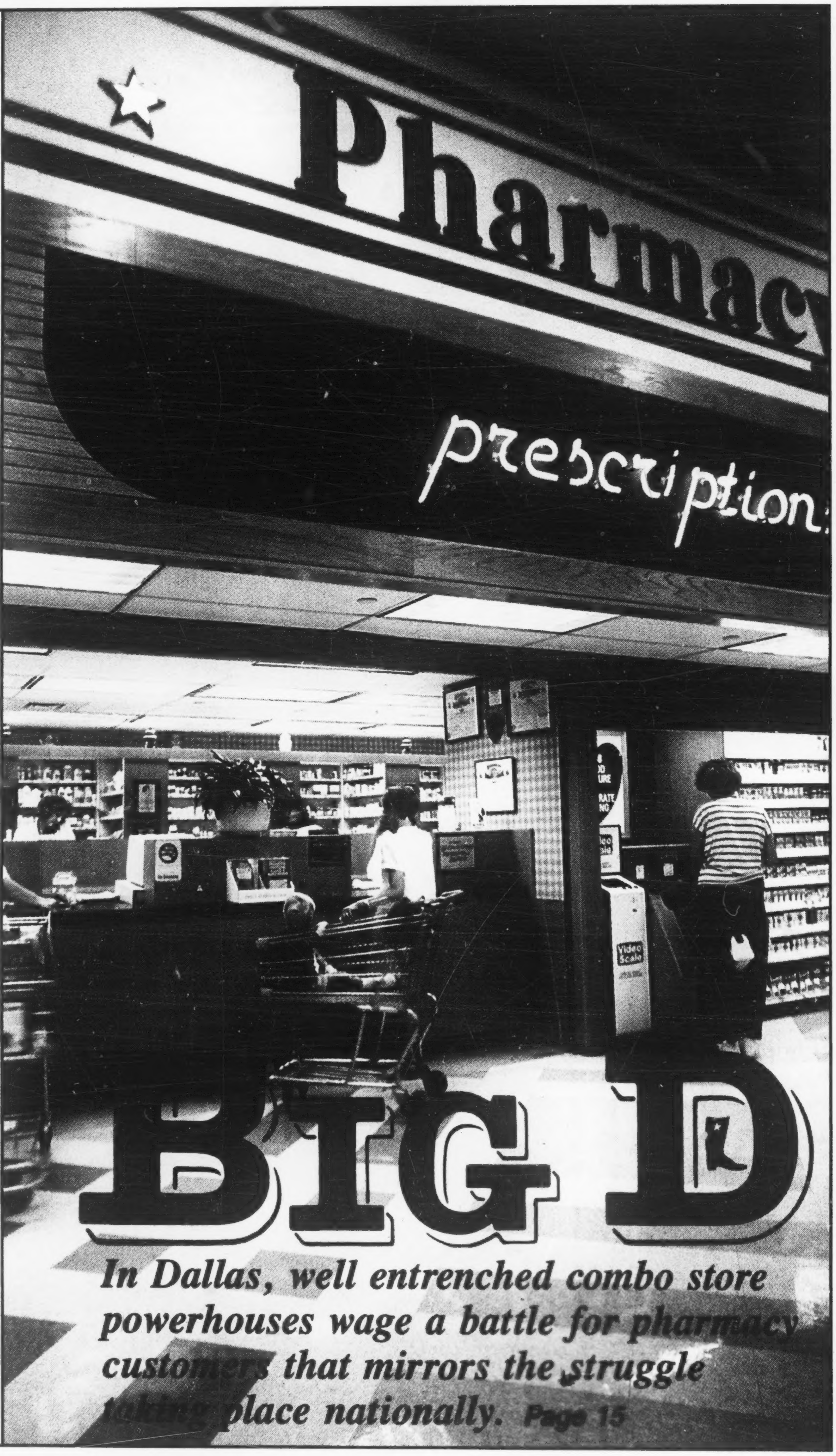


BIG D

In Dallas, well entrenched combo store powerhouses wage a battle for pharmacy customers that mirrors the struggle taking place nationally. **Page 15**

Retailers rebound under the 'Big D'

By Elizabeth Richardson

DALLAS — The rebound is under way for retailers in "Big D."

So deeply recessed in the late '80s, Dallas has recently experienced more upbeat economic conditions, and that is welcome news for pharmacy operators in this highly diversified market.

Yet, pharmacy is different in Dallas than in most markets. With the successful retailing experiments of the '70s, "Big D" evolved into "Big C"—indicative of the combination stores that have developed into such retail powerhouses here.

Combo hotbed

Since the short-lived Skaggs-Albertson's partnership of the '70s, Dallas has been a hotbed of food/drug combo experimentation. Currently, the market hosts seven combo operators. Together they command a 42 percent share of the pharmacy market, according to the most recent figures compiled by Metro Market Studies.

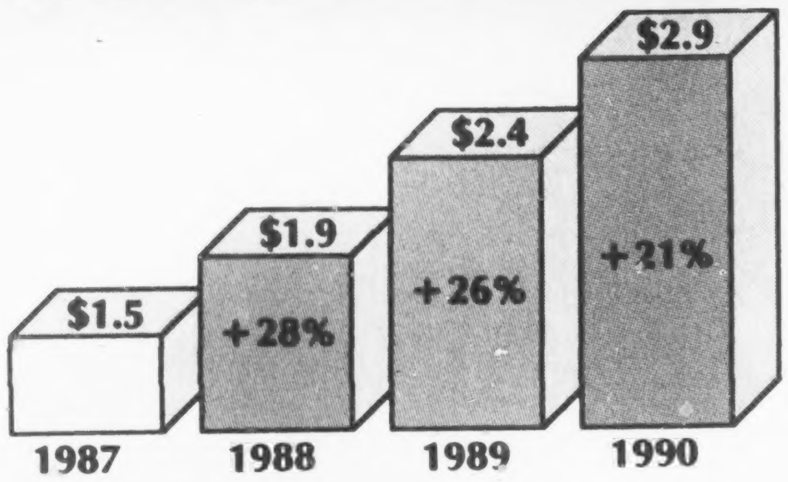
They are nationally operating Albertson's, Kroger, Winn Dixie and American Stores' Skaggs Alpha Beta; and heavy hitting local players Tom Thumb Page, Minyard Food Stores (and its Sack 'N Save division) and Brookshire's.

Since the departure of Revco, Eckerd Drug and Drug Emporium remain the only national drug chains with strength in the Dallas market.

The Metroplex also houses strong local chains, including True Quality and Town and Country, as well as several hundred independents scattered throughout the area. Also roiling the market are deep discounters Fazio's and Texas Drug Warehouse, and discount department store powerhouses Kmart and Wal-Mart.

Rx sales soar in combos

(Wholesaler acquisition cost in billions)



Source: Wholesaler acquisition cost. Towne-Oller & Associates, Inc.

Population soared

Fueling the growth in retail operations has been the explosive population growth of the Dallas/Fort Worth market, beginning in the '70's. In 1970, the population of the area was just over 2.3 million, according the U.S. Bureau of the Census. In 1990, nearly 3.9 million people covered the 100-mile area between the city limits of the two cities.

Wielding their strengths, combos became dominant in the market by offering one-stop shopping convenience, enormous selection, and growing pharmacy departments. Demographic trends, insightful business decisions and a little bit of risk taking also worked in their favor.

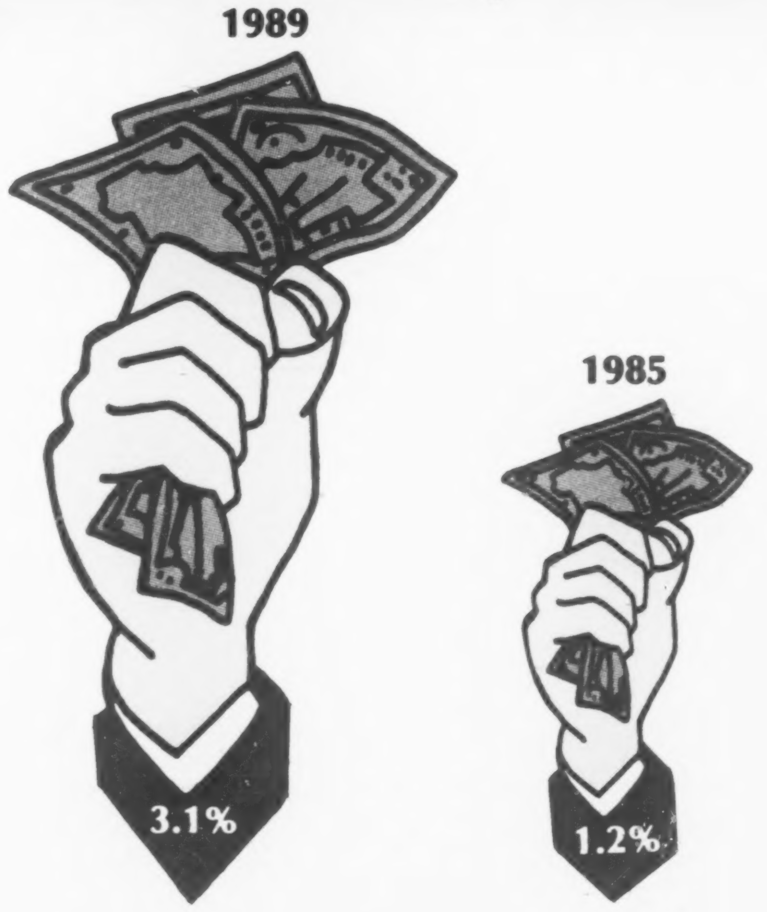
"I think that early on, the grocery operators thought they would sell their drugs just like they sold groceries," said Phil Smith, partner in the Dallas Arthur Andersen retail group. "They found out very quickly that it was a different animal. It took a while, but they got the right people in to set up their approach and methodology to pharmacy. And in this market, combo pharmacy is now a fully accepted retail segment."

Risks in real estate also helped prompt combo growth. "Companies had to go way out in the middle of nowhere to get land costs that made sense," Smith continued. "They would move their stores to the edge of the population areas, on raw land, hoping that housing developers would build. Now, those sites are in the *middle* of suburban areas, with thousands of houses surrounding them."

Analysts also agree that strategic placement of stores in strip mall shopping centers had a lot to do with their success. "Many would actually build their own centers, with the combo as the anchor," said one local analyst. "That would effectively eliminate their competition. You don't see many drugs stores—either chain or independents—sitting next door to a Tom Thumb Page. And that's what they're counting on."

Rx grabs bigger share of food store sales

(% of total store sales)

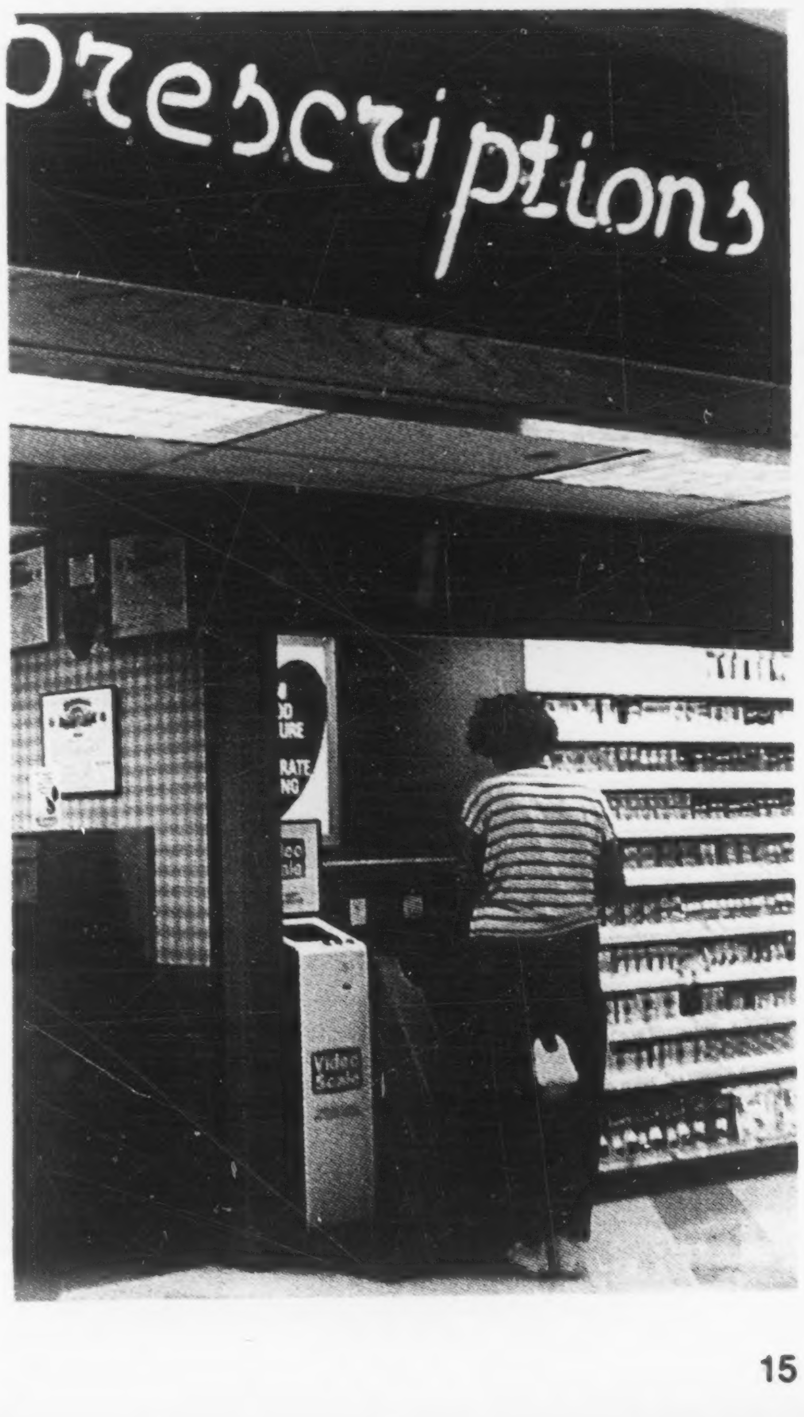


Source: FMI 1989 Supermarket Pharmacy Study.

Location: key to loyalty

Customer loyalty is hard to come by in

Continued on page 17



Rx retailers rebounding under the 'Big D'

Continued from page 15

the market, with so many choices available. More often than not, in a market where an automobile is not just a convenience but a necessity, price and service have less impact than where the store is located, how accessible the parking lot is and whether involvement in major traffic areas is necessary in reaching the location.

Niche touches and musts

While operators in the area are highly involved in customer service, each has carved out a specific niche in which to lure its customers. These niches don't necessary involve tactics that might be considered selling points in other markets, however. In the energetic Dallas market, prompt checkout isn't just a nice touch, it's a must. Twenty-four hour stores aren't just an advantage they're a given.

Tom Thumb Page, which operates 37 combos, 15 free-standing drug stores and two discount stores in the area, pulls in its customers with flexible merchandising mixes. "Your particular image to the customer is what makes you different," said Lee Roy Treadway, vp, pharmacy operations. "Our primary focus is high merchandise levels. We're competitive in pricing, but we're not a low price leader and don't try to be."

Skaggs Alpha Beta, strong in this market since its venture with Albertson's in the '70s, will have new challenges to face as it becomes part of the Osco drug network. Since February, the stores have been under the umbrella of American Drug Stores, giving the Oakbrook, Ill.-based Osco operational and merchandising control. The move promises to bring the Skaggs stores into the forefront with improved merchandising, new formats and even a new name.

New identity for Skaggs

While the stores still flag the Skaggs Alpha Beta banner, David Maher, ceo and president of American Drug Stores, told *Drug Store News* that the stores will be headed under the Osco name eventually.

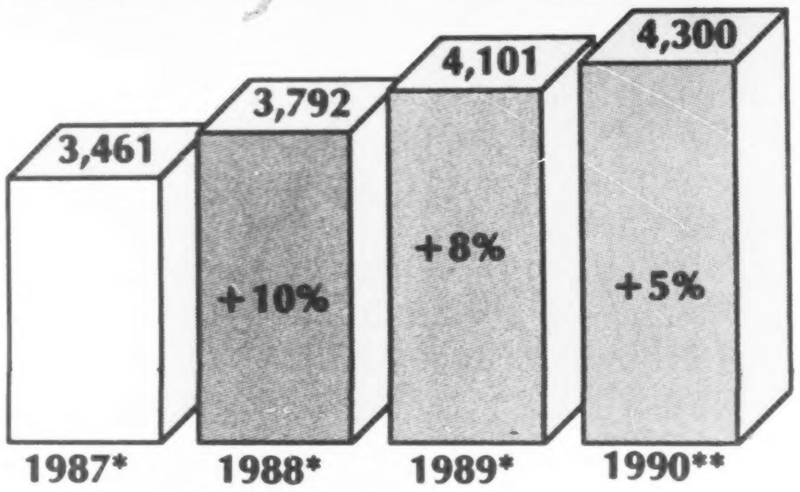
Kroger nurtures its strength in the market by allowing more leverage with decisions at the local level. This proves to be a big advantage for store managers to grab their share of the pie in the highly competitive Dallas market. Chainwide, the company is placing more emphasis on the service components of pharmacy, such as computerized record-keeping and immediate verification of insurance eligibility, which helps Kroger stand out as a service-oriented company.

A roar from afar

Kroger and other D/FW retailers will have to contend with a new entry in the market by the beginning of next year. Food Lion, the eastern grocery chain firebrand is entering the market, with 40 stores slated for the area within a year. The company has already been promoting ads featuring slashed prices.

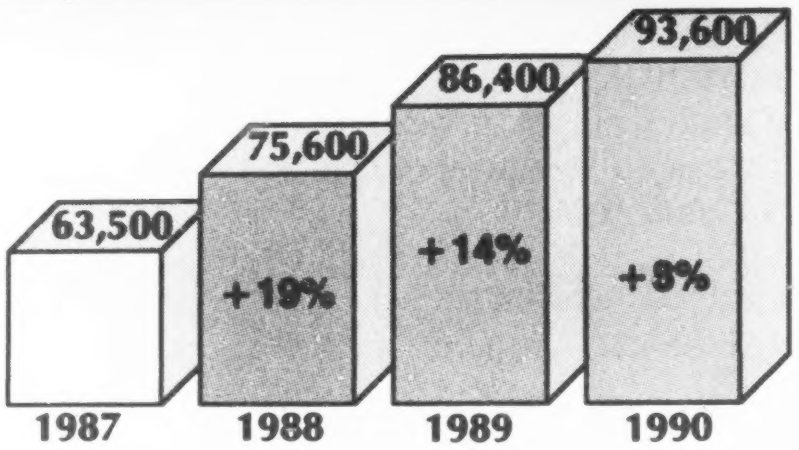
Food Lion's stores won't house pharmacies, which may cause them some problems. "This area is used to one-stop shopping," said one Tom Thumb Page pharmacist. "Sure, customers may shop there a few times to check out their prices, but once they need their medications, they'll realize it's easier and more convenient to shop us, rather than having to make two or three additional stops."

Food/drug combos show steady growth



*Towne-Oller & Associates.
**Towne-Oller and Chain Store Guide.

Rx unit shipments: strong growth
(Total Rx packages received by combo stores, in thousands)



Source:-Towne-Oller & Associates, Inc.

While some retailers contend the market will be drastically overstored with existing outlets and Food Lion's entry, combo store operators still expect to grow in the market. Kroger, which has 77 stores—59 with pharmacies—plans to open two-to-three new locations in '91. Minyard Food Stores and Sack 'N Save, with 52 and 18 locations respectively, expect similar growth, and Tom Thumb Page expects four new locations to be operating by year's end.

"Yes, it's a difficult market and it takes time to build a drug business," said Tom Thumb's Treadway. "But getting your name out there is what it's all about. The marketplace has seen tremendous growth in the last few years. We believe strongly in the Metroplex, and that growth. The area has proven itself to be accepting of our type of service, and we'll continue to do whatever it takes to keep the customer happy."

One-stop stores grow nationally

Dallas is a prime example of combo growth nationally, as these one-stop stores become the norm all over the country. Since 1970, combo store counts are up 24 percent, according to Towne-Oller. Since 1988, the average annual growth in food store pharmacy sales has exceeded the total market by almost three to one, the audit reported.

Much of this growth is due to convenience. Customers shop food/drug combos an average of nine times per month, compared to just three visits to a chain drug store, says Towne-Oller. And, more and more are buying their HBA products in combos as well.

A Safeway Store Study reported that the addition of a pharmacy department can increase HBA sales up to 39 percent.

"Combo pharmacies have been known to have tremendous impact on OTC sales, vitamins and medicated items," said David Spohr, HBC merchandiser for the grocery distributor Fleming Companies, Inc. "The beauty items do well too, but pharmacy really drives the OTCs."

CS150-2

The newspaper of drug store retailing August 26, 1991

DRUG STORE NEWS®

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LATE NEWS

•CINCINNATI — Michael Wildermuth has left Kroger Co. as manager of pharmacy services to join National Health Screening Corp. Third-party manager Roger Fogle will assume some of his duties.

•TWINSBURG, Ohio — Revco D.S. will host a two-day Health and Beauty Expo at the Scope Convention Center in Norfolk, Va. Oct. 18 and 19.

FEATURES

Books and mags hit by recession

Periodicals are still a major traffic draw for chains even though they have been hit hard by the recession. Page 11.

Quality drives store brands

Gallup study commissioned by PLMA gives valuable insights into private label buying habits. Page 18.

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Giant preps Super G deep discount

SUMMARY: Giant Food says make way for Super G, its new deep discount store coming soon to Salisbury, Md. First, the savvy combo operator is softening the market with an HBA price war throughout Greater D.C.

By Ken Rankin

LANDOVER, Md. — Giant Food has launched an aggressive campaign to intensify HBA price competition in the Washington-Baltimore markets—a move that could propel the feisty supermarket chain headlong into the deep discount drug store business.

The first stage of Giant's drive was announced late last month when officials at the chain announced across-the-board price reductions on thousands of HBA products at its 104 food-pharmacy combo stores, 49 food-only outlets, and two freestanding drug stores.

Then earlier this month, Giant dropped the second shoe by confirming reports that the company was planning a new spinoff chain of Super G Discount Drug Stores—off-price specialty units designed to compete head-on with such deep discounters as Drug Emporium and F&M.

The prototype for Giant's new Super G operation is expected to surface in Salisbury, Md. late this year or early in 1992. Company officials describe the discount drug operation as a "test," but there have been reports that the Salisbury prototype could spawn a subchain of such outlets.

"This is a logical outgrowth of our longstanding commitment to pharmacy operations as a key part of the Giant Food Co.," Barry Scher, vp-public affairs told *Drug Store News*.

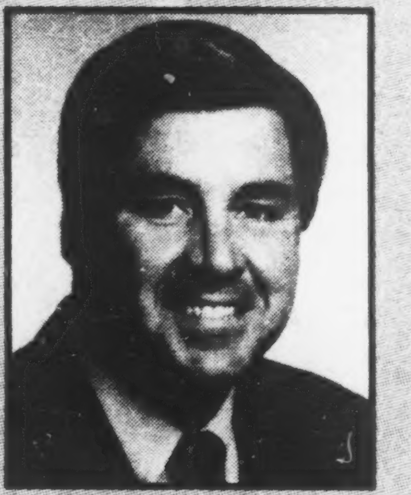
While details of the Super G concept have not yet been released, indications are the 26,000-square-foot prototype will not be patterned after the chain's existing pair of freestanding drug stores.

Although Peoples, Rite Aid and other entrenched drug chains in Giant's market area will have time to ponder the significance of Super G, they're under pressure to respond to the chain's HBA price cutting initiative immediately.

In announcing the new strategy, company officials said the new "everyday discount pricing program" for HBA will allow Giant to "maintain its current customer base as well as attract new customers and sales volume in the face of an increasingly competitive retail environment."

Yingling named Thrifty Corp. ceo

SUMMARY: Veteran grocery operator William Yingling brings the savvy of a veteran mass merchandiser to a rebuilt team at Thrifty Corp. As chairman and ceo with special responsibility for struggling Thrifty Drug, Yingling will be challenged in the crowded L.A. market.



Yingling

By David Vaczek

LOS ANGELES — Pacific Enterprises has recruited William Yingling, the former president of the Southern California Lucky Stores, to be chairman and ceo of its Thrifty Corp. retail division.

Yingling's strengths in food and drug mass merchandising are most needed at struggling Thrifty Drug. Yingling, 47, will directly oversee the 625-store chain, as Eve Rich,

See **Yingling** *page 21*

Schiff joins Albertson's as senior vp non-foods

Schiff

BOISE, Idaho — Former Pay Less Drug Stores president and ceo Ron Schiff has joined Albertson's as senior vp of non-foods merchandising.

Schiff, 53, will head up operations of all non-foods merchandising functions for the combo store giant, including pharmacy, liquor and drug/general merchandise. He will report directly to president and chief operating officer John Carley.

The position is a new one for Albertson's, and it indicates "a greater commitment to food/drug combination stores," according to a company spokesman. Neither Schiff nor Albertson's chief executive Gary Michael could be reached for comment.

Schiff is a 31-year veteran of chain drug retailing who built his career at Pay Less. He rose through the operating ranks at the Wilsonville, Ore.-based chain, gaining the No. 2 spot as executive vp under former chairman Ed Hart and, in 1989, becoming president following Hart's retirement. He was replaced by new Pay Less ceo Tim McA-

See **Schiff** *page 21*

Kmart's new pharmacy strategy taking shape

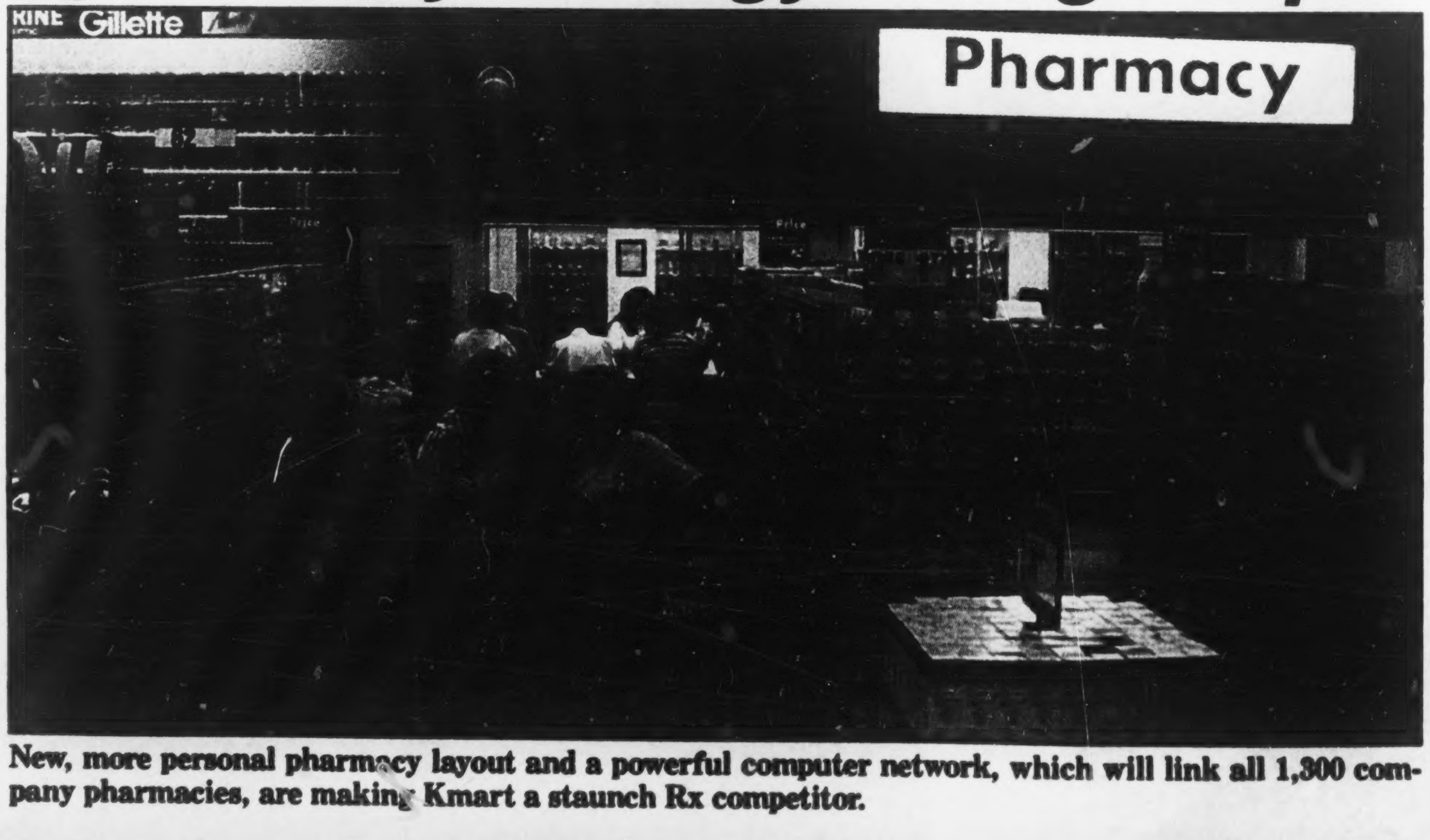
Summary: Kmart's new Super Center prototype signals the giant retailer's determination to be a major force in all three classes of mass marketing: drug, food and general merchandise. The store shows off a vastly improved pharmacy operation and more than 45,000 square feet of food.

By James Frederick

MEDINA, Ohio — Kmart Corp.'s new Kmart Super Center format is clear proof that the discount giant has big plans for its pharmacy business.

The Super Center prototype drew throngs of shoppers from this fast-growing community south of Cleveland for its July 25 grand opening. The 148,000-square-foot store combines the

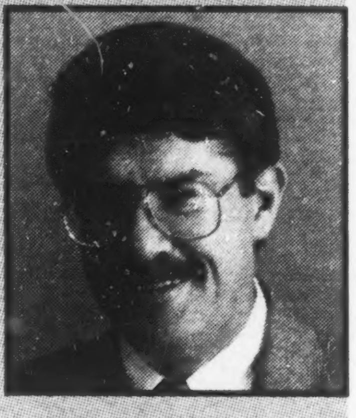
See **Kmart** *page 21*



New, more personal pharmacy layout and a powerful computer network, which will link all 1,300 company pharmacies, are making Kmart a staunch Rx competitor.

NEWS IN BRIEF

McK names partnering vp


Terry Burnside

SAN FRANCISCO — Saying it reflects the increased importance the company places on vendor relationships, McKesson Drug announced it has created a new position, vp-supplier partnering, and has named Terry Burnside to the post. Burnside will report to Fred Toney, senior vp-merchandising and purchasing supplier partnerships.

Burnside joined the giant wholesaler three years ago as private label products manager and was promoted last year to vp-business development in the service merchandising division. Prior to joining McKesson, he was with the northern California division of American Stores for 13 years and served as director of marketing.

Fox moves to Keystone

Donald Fox

OMAHA, Neb. — Donald Fox, former president and chief operating officer of Perry Drug Stores, has joined Keystone/ Medicine Chest Drugs as president, said ceo Manny Goldberg.

Goldberg said that Fox's executive experience will be valuable in driving aggressive five-year expansion plans at the 14-unit chains of drug and home health care stores.

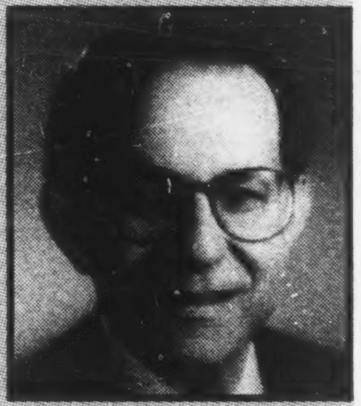
SGC sells Purity Supreme

WOODBRIDGE, N.J. — Pathmark supermarket and drug store operator Supermarkets General said it is selling its Purity Supreme division to Freeman Spogli & Co., a Los Angeles merchant banking firm.

With $1.3 billion in revenue, Purity Supreme has 64 supermarkets and 63 Li'l Peach convenience stores, according to SGC executive Harvey Gutman.

The sale helps SGC relieve a debt load under which it has struggled since it went into an LBO in the late 1980s. The price tag is $244 million in cash and stock plus the transfer of $56 million debt. SGC will retain a 6.5 percent equity interest in the chain.

Jack Robinson gets awards


Jack Robinson

SOUTHFIELD, Mich. — Jack Robinson, chairman and ceo of Perry Drug Stores, will receive the Great American Traditions Award, the highest honor bestowed by the B'nai B'rith Foundation of the United States, at a dinner Nov. 19 at the Westin Hotel, Renaissance Center, Detroit.

In September, Robinson will also be awarded the Fred M. Butzel Memorial Award for Distinguished Community Service by the Jewish Federation of Metropolitan Detroit.

Eco Expo set for September 6-8

NEW YORK — Water filters; non-toxic cleaning products; water-saving showerheads; energy-saving appliances, lightbulbs and batteries; recycled plastic and paper products; and more will be showcased at Eco Expo, scheduled here Sept. 6-8 at the Jacob Javits Convention Center.

Show hours are 10 a.m. to 7 p.m., with $15 tickets on sale at the door. There will be 200 exhibitors and a wide range of speakers, seminars and displays, plus special environment-education areas and activities for children.

Difiglia, cosmetician, puts fresh face on the elderly

By Susan Ball

Randi Difiglia, a cosmetician at Genovese, makes up Helen, 73, at the Center for Extended Care and Rehabilitation, North Shore Hospital, Manhasset, N.Y.

NEW YORK — Picture windows let the bright June sun fill the dining room of the Center for Extended Care and Rehabilitation at North Shore Hospital in Manhasset, Long Island. About 25 men and women, mostly elderly and many in wheelchairs, are gathered there, waiting quietly.

Randi Difiglia, 27, an oasis of color in her pretty flowered dress, bustles in, sets her case full of makeup on a table near the windows and introduces herself with a beaming smile.

She tells them she's a cosmetician at a Genovese drug store and introduces store manager Jim Halleran, who has come along to help carry stuff and watch. She's come to do makeovers.

Laying out her jars, bottles and brushes, she asks, "Who'd like to be first?"

No shyness here. Fannie, 82, wheels herself up and tilts her face to Randi.

As she works, Randi provides a running commentary, loudly enough for the group to hear, of what she's doing.

"First, we'll apply a little foundation—very little—and light powder."

She steps back appraisingly.

"Let's put some pink on you," she says as she applies blush. "You like pinks, don't you?"

"Um-hmm," Fannie smiles, careful to keep her head still.

"You have very small eyelids. That's good!" Randi says, eyeshadow palette in hand. "Let's take a little bit of gold . . ." She pauses.

"Open?" (Fannie opens her eyes.) "That's pretty," Randi pronounces.

"Next, a little lipstick."

Someone in the group asks how to keep lipstick on all day, without fading.

"Baby powder," Randi says. "Before and after you put on your lipstick."

"Are you ready to see yourself?" the cosmetician asks, handing Fannie a mirror.

Fannie peers in the glass and her face lights up. Everybody claps.

Randi gives Fannie a small bag of perfume and body lotion samples, wrapped in pink cellophane and ribbon. (Everyone will get these little gifts, which Genovese provides and Randi wraps.)

Next up is Mae, 85, who Randi decides doesn't need foundation, but just a little blush, lipstick and powder.

"I look like a monkey," Mae jokes.

"Oh, will you stop," Randi quips right back. "I don't do monkeys."

Randi continues to apply makeup, joke around, give cosmetic tips. Each makeover draws claps and compliments. An elderly lady starts singing "Let Me Call You Sweetheart." Before long, others chime in.

Two hours and about 10 makeovers later, Randi calls it quits. The residents murmur thank-yous as they leave.

"Last time, I did 25 people. My back hurt," Randi says as she packs up.

"Last time" was a nursing home, and before that, it was a rehab center for addicts.

Randi, who has worked for Genovese about six months, has been doing this voluntarily off and on for years, using her own makeup, making her own arrangements. It started when she was visiting her husband's grandfather in a nursing home and noticed the women residents. "They looked depressed," Randi recalls. "They had nothing to look forward to."

On impulse, Randi started spraying the ladies' wrists and shoulders with perfume she had in her purse. "The look on their faces. Fantastic!"

She continues, "I go when I can. They tease me, I tease them. I tell them what I'm applying, give them a little bit of attention. After the first two or three makeovers, they don't listen anymore. They start talking and arguing." She laughs.

"I think, when they're this old, they deserve the best treatment, you know?"

"I get a kick out of it. I love old people!"

F&M names regional vice presidents

Timothy Gower

WARREN, Mich. — F&M Distributors has promoted Timothy Gower to regional vp-store operations, in charge of stores in Michigan, Ohio and East Coast markets in Virginia, Washington, D.C. and Massachusetts. At the same time, the company has named former vp-store operations Michael Micallef regional vp in charge of the western group of stores in Illinois, Indiana, Minnesota and Wisconsin.

Both men will report directly to company president and chief executive Frank Newman.

The regional vp position is a new one, and reflects the off-price chain's rapidly growing geographic reach and complexity. F&M now operates 100 stores in nine states, and last year broke $700 million in sales.

"Mike and Tim are splitting responsibilities as regional heads for all the stores," explained Janita Gaulzetti, a spokesperson for F&M.

Another F&M spokesperson said Gower's appointment and the creation of the new post were related to the chain's growing East Coast expansion, including its upcoming move into the Boston market. F&M will open four stores in metro Boston beginning this fall.

Gower, at F&M four years, has served as store manager, area manager and regional manager. His old post of regional manager is being eliminated, said a company source.

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A diamond is a chain's best friend

IN THE MARKET
BRUCE BUCKLEY

Whatta rock!

I mean a gem, a perfectly faceted, virtually flawless, one-carat sparkler that fits the finger like a glove. I don't know why, but a diamond is what came to mind when I thought about Carls Drug.

There have been a bunch of acquisitions over the past few years in the chain drug industry, but few seem as perfectly matched as the recently completed marriage of the Syracuse-based Fay's drug chain and its smaller Rome, N.Y., cousin, Carls.

I use the word cousin, rather than neighbor, deliberately because the two chains spring from the same Panasci family roots. Henry Panasci once worked as a pharmacist for his uncle Carl Panasci, for whom Carls is named.

But the merger is much more than the story of family ties renewed. It's the story of growth and promise for Fay's in a relatively static period for retailers in general and chain drug companies in particular. For the most part, real estate developers have been sitting on sidelines, taking a breather; the once overflowing stream of potential sites has shrunk to a trickle.

For Fay's—a Northeastern powerhouse before the acquisition, with 199 drug stores in New York and Pennsylvania—the 43 new Carls stores represent at least two years of growth at about 10 percent per year. But few chains are achieving 10 percent growth in the currently stagnant real estate climate, and many are not growing at all.

Thus, a 20 percent expansion spurt coming on top of Fay's existing store development plans is phenomenal. The Carls stores represent an even better opportunity than most. As a group, they're mature, contributing $100 million in sales right out of the gate. As they begin to reap the benefits of Fay's strong hand in operations and merchandising, their per-store sales average is certain to begin to approach the current $3.4 million generated by a mature Fay's drug store.

Carls stores also fill in gaps in Fay's market strongholds in upstate New York, and thus fit in quite neatly under their parent's advertising and distribution umbrella. What's more, their size is compatible with Fay's merchandise mix. Finally, they come supplied with experienced store personnel. Who could ask for more?

Real estate developers have been sitting on the sidelines, taking a breather; the once overflowing stream of retail sites has shrunk to a trickle.

The acquired stores already sport the Fay's logo and feature its merchandise mix, but when the remake is total and when all the stores are equipped with Fay's new POS scanning system, the result is going to be dynamic.

Diamonds may or may not be forever, but they can certainly cause a lot of excitement for now.

Listening to the elderly has its rewards

THE HUMAN SIDE
AL HELLER

Rebecca C. is a frail 82-year-old pharmacy customer in Daviess County, Ky. She has grown hard of hearing in recent years—enough to warrant purchase of a $400 hearing aid last year. But since her less-than-nimble fingers couldn't deftly maneuver the battery door, that broke off the hinge. And since her straining eyes couldn't read the engraving on the miniature battery, that was never replaced.

These problems, plus a hard-to-overcome sensitivity about being hard of hearing, caused her to cope without using the hearing aid until her daughter visited from New York this spring. The daughter, Elizabeth, grew hoarse repeating herself and shouting to be heard. Determined to get her mom communicating freely, Elizabeth marched her off to an audiologist, hearing aid in hand.

Dr. Etienne, the audiologist, had been promoting a new, more flexible hearing aid. Rebecca and Elizabeth were prepared to invest in another unit, reasoning that it would be worth the outlay, if mom would be more disposed to use it. Etienne instead repaired the old hearing aid and, speaking slowly and distinctly, gave mom tips on how to use and maintain it. Mother and daughter were ecstatic.

Rebecca visited New York this summer, in part to see another doctor about another medical problem. The day before this appointment, the battery "squeaked and died," said Elizabeth.

Concerned that her mother wouldn't be able to hear the doctor the next day, Elizabeth went to her local chain drug store to buy more batteries, but the pharmacist said the numbers on mom's battery didn't correspond to the batteries in stock.

At 11 p.m., Elizabeth was on the phone with a Walgreens store manager in nearby Yonkers, who said he carried about 15 specialty batteries and if she came to the store he'd help her find the correct replacement cell.

Elizabeth's husband persuaded her not to make a late-night trip, reasoning that all chains probably sold the same kinds of batteries.

The next morning, Elizabeth, still worried, left the doctor's waiting room, hearing aid in hand, and scurried across the street to Schoonmaker Medical Pharmacy, an independent in Scarsdale.

Once again, a pharmacist took the time to examine his battery assortment, going so far as to open a package he thought contained an equivalent cell. (Battery makers, take note.) He was right, and within minutes, mom's ear was turned on.

"It's so easy to think that elderly people's minds wander, but they can understand so much when they can HEAR you," said Elizabeth, who admitted "talking around, across and over her (mom) because she wasn't participating in the conversation."

Elderly customers may not be the loudest or buy the most, but they are the demographic group of the future for retailers. And they can teach us all a few lessons—if we will only listen.

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Book sales have been hard hit by the economic downturn, but discounters such as Phar-Mor mass display to build traffic and court the reading public with extra value.

The RDAs and per-pocket payments Rite Aid gets from its vendors help to smooth out unpredictable patches of the magazine business and bolster margins.

Books and magazines feel recession's punch

SUMMARY: The market for paperback books and magazines went into a tailspin late last year, feeling the brunt of the economic downturn. Nevertheless, periodicals represent a major traffic draw in chain drug outlets and a source of almost guaranteed return on investment. What's more, some successful startup publications have created some bright spots.

By James Frederick

The recession hasn't been kind to the book and magazine industries. Single-copy sales of periodicals were off significantly in 1990 and early 1991, and hundreds of publications folded or were merged with rivals.

Although the $3.6 billion in retail sales racked up by magazines last year would have looked good back in the mid-1980s, it marked a 4.1 percent decline in revenues from the industry's record-setting level of 1989. And if it hadn't been for a strong first half, the 1990 decline would have been far worse: second-half sales were off a whopping 9.3 percent in dollars and 9.8 percent in units versus the year earlier.

For paperback books, the story was even worse. Paperback book sales were off 10.9 percent in dollars last year, to $2.11 billion, and off a startling 17.4 percent in units, to 440 million retail copies sold.

The downturn tightened the spigot on new publications, as well. According to the Magazine Publishers of America, 536 new magazines debuted in 1990. That's 63 titles fewer than the number introduced the previous year. The survival rate for those 1989 rollouts has been 50 percent or less, the industry group reports.

The slackoff in demand—combined with the magazine glut that now chokes the market with roughly 4,000 titles—has claimed both new and old victims. Among the publications that have disappeared are newcomers like *Men's Life*, *Memories and Fame*; older titles like *New England Monthly* and *Business Month* also bit the dust. Other magazines have merged to survive, including *M* and *Manhattan Inc.* and several publications aimed at computer users.

Jack Fitzmaurice, president of the Periodicals Institute, laid the blame for the industry's troubles firmly at the door of the sour economy. "Quite apparently, the recession afflicting so many products, industries and services hit publications hard in the last half of 1990," he said. "Rising unemployment and lower household income threw up barriers to impulse sales, severely affecting magazines and books."

Booksellers weren't arguing the point. "Flat' appears to be the word for sales of rack-sized mass market books, now and for the foreseeable future," noted a dour Book Industry Study Group in its "Book Industry Trends" 1991 report.

Why, then, do chain drug and other mass retailers still rate books and magazines as essential to the mix? The reasons vary according to the objectives retailers have for the category, but they boil down to a few simple ones:

- Periodicals are steady, predictable performers that generate decent margins and turn rapidly—as much as 25 to 30 times a year.
- The guaranteed return policies offered by wholesale distributors eliminate much of the risk in carrying a plethora of titles. Retail display allowances (RDAs) and per-pocket allowances at the checkstand further cut the risk and pump up margins.

"The gross margins are pretty good, and they're items that you can turn," noted Sharon Schrage, book/magazines coordinator for Bill's Drugs in Benicia, Calif. "Magazines are good traffic builders, too."

Rite Aid book and magazine buyer Gerry Giardina concurs. "The industry as a whole has been really down, but the fact that we've expanded our [magazine] line . . . has been worthwhile for us."

Giardina says the RDAs and per-pocket payments Rite Aid gets from its vendors help to smooth out the unpredictable patches of the (magazine) business and bolster margins.

What's more, industry watchers see some light at the end of the tunnel for periodical sales. Fitzmaurice predicted a "slowing of the publications decline, with slight improvement possible toward the end of the year" for 1991 as the economy continued a slow, halting recovery.

Michael Pashby, vp-circulation for the Magazine Publishers of America, added that segments of the magazine market were thriving despite the overall downturn. Those segments include many niche-oriented publications appealing to diverse special interests, including fashion books for teens and some of the family-oriented publications. Some newer startups like *Victoria* and *Sassy* have made big strides in a short time.

Thus, the top 100 newsstand titles were down 9 percent in single-copy sales last year, according to the MPA, but the large group of smaller publications audited by the ABC were actually up 2 percent in retail sales.

Magazine and paperback sales slip

(Mass market sales of publications in millions)

	1990	1989	Percentage loss
Magazines			
Dollars	$3,566.8	$3,721.0*	– 4.1%
Units	2,412.7	2,539.6*	– 5.0
Paperback books			
Dollars	$2,110.6	$2,369.0	– 10.9%
Books	440.2	533.0*	– 17.4
Total publications			
Dollars	$5,677.4	$6,090.0*	– 6.8%
Units	2,852.9	3,072.6*	– 7.1

Periodicals Institute, Audit Bureau of Circulation and International Periodicals Distributors Association.

* Indicates restated figures

Gallup study

Quality, savings drive private label purchases

Fay's uses extensive shelf signs to promote sharp private label prices during grand opening of converted Carls store in Rome, N.Y.

NEW YORK — A new study conducted by The Gallup Organization shows that 86 percent of 1,215 shoppers polled have bought a store brand at some time.

Those most likely ever to have made a private label purchase were men (slightly more likely), shoppers in the $25,000-$45,000 income bracket, brand switchers and shoppers with some college education.

However, the percentages were close: The study, commissioned by the Private Label Manufacturers Association, found that consumers in the below-$25,000 and above-$45,000 income brackets, and consumers with high school educations or less, were almost as likely to have bought a private label item.

One-third of those polled said they are buying more store-brand items today than they did a year ago, and one-fifth said they expect to buy more private label products next year, with about half of the latter group citing price savings as the key reason.

Gallup conducted phone interviews with a random national sample of 1,215 primary grocery shoppers or a household member who shared equally in that task.

Twelve percent of respondents said they buy private label items every time they shop, and 27 percent said they buy such items most of the time. The mean percentage of store-brand purchases made by respondents was 24.9 percent (when asked, "What percent of your grocery purchases are store brands?").

Those who indicated they bought a significantly higher than average percentage of private label items were blacks (35.1 percent), respondents who shop less than once a week (30.1 percent) and respondents who shop for grocery products at warehouse-type stores (34.05 percent).

The study found that the most important factor influencing shoppers to buy a store brand versus a nationally advertised brand was the perceived quality of the store brand. Seventy-five percent rated quality "very important," and 67 percent rated price "very important." The next-highest percentages, after quality and price, were "availability of store brands" (36 percent) and coupons (34 percent).

On the other end of the spectrum, among respondents who said they had never bought a private label item, the reason most often given (30 percent) was that they like name-brand items better and always buy name brands. Fifteen percent gave "poor quality of store brand" as the reason.

In the decision to repurchase a private label item, quality, again, was the factor that respondents rated highest (85 percent), again followed by price (73 percent). The store's guarantee of satisfaction was rated "very important" by 55 percent of respondents.

The Gallup poll identified four "cluster groups" among respondents, with regard to their attitudes to private label products. These clusters included "testers," "price/ quality orientation," "ambivalents" and "futures."

About one-fifth (21 percent) of respondents in the Gallup sample were found to fit the "price/quality" cluster. This group buys more store brand items than do the other three clusters and is greatly affected by the product's price. But while these shoppers believe that the higher the price, the better the quality (and the lower the price, the poorer the quality), this view has not negatively influenced their store brand purchases. The price/quality cluster buys more store brands (32 percent of their weekly shopping baskets) than any group, and 18 percent said they buy some store brands every time they shop.

"Testers" represent the smallest cluster group, as well as the lowest in income and youngest in age. But they are the second-greatest purchasers of store brands among the four clusters. Quality is their primary concern in trying and repurchasing store brands. They aren't particularly loyal to national brands and tend to be experimenters.

The "futures" cluster is also small, representing about 13 percent of the sample, and they are primarily male and from minority backgrounds. About 30 percent say they are buying more store brand items than a year ago. In addition, some of their responses indicate they have future private label-shopper potential, according to Gallup. (For example, this group believes that store-brand items usually perform as well as nationally advertised brands.)

The "ambivalent" cluster comprises by far the largest group, nearly 60 percent of the sample. They don't hold strong opinions about store brands, national brands or about shopping in general. They seek more product information, value quality over price and indicate they are more aware of private label brands than they were a year ago.

Near consensus on key private label attitudes

93%	buy a product the first time for savings, but rebuy it only if quality measures up.
93%	would buy store-brand items more often if convinced the quality is equal to national brand.
88%	expect supermarkets and drug stores to carry their own store brands as well as national brands.
87%	recognize that nationally advertised brands usually cost more than private label because of advertising and packaging costs.
81%	would buy store brands more often if they were displayed more prominently.

Source: PLMA/Gallup.

Who's buying: This year vs. last year

55%	are buying the same number of private label items this year as a year ago
33%	are buying more private label this year than last
11%	are buying fewer private label products this year than last
1%	don't know

Source: PLMA/Gallup.

> *The most important factor influencing shoppers to buy a store brand versus a nationally advertised brand was the perceived quality of the store brand.*

Question: "Have you ever purchased a store brand item?"

86% said yes, including:

89% of males
86% of females

89% with some college or more
83% high school graduate
81% with less than high school education

90% income $25,000-$45,000
87% $45,000 or more
84% $25,000 or less

1,125 total respondents.
Source: PLMA/Gallup.

Imasco sales increase, while earnings drop

MONTREAL — Imasco's net earnings decreased seven percent for the second quarter and 13 percent for the six months ended June 30.

Net earnings for the quarter dropped to $85.5 million (Canadian) from $92.0 million in the period last year. For the six months, net earnings were $137.4 million, versus $158.6 million.

Prior-year results include an after-tax contribution to earnings from Peoples Drug Stores, which was sold to CVS parent Melville Corp. last September.

Systemwide sales for the quarter were $4.1 billion, a four percent gain; revenues were $1.5 billion, up nine percent.

For the six months, systemwide sales were $7.5 billion, a four percent increase, and revenues were $2.6 billion, a five percent gain.

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MARKET DIARY:

Largest Dollar Gainer	Carter-Wallace	$ 9.63
Largest Dollar Loser	Giant Food	$ – 4.38
Largest Percentage Gainer	Bolar Pharmaceutical	25.71%
Largest Percentage Loser	Giant Food	– 15.42%

Advances	38
Declines	18
Unchanged	1
New highs	12
New lows	0

	Close 7/23/91	Close 8/13/91	Net Change	Percent Change
Drug Store News Index	4112.89	4229.33	116.43	2.83
Dow Jones Industrial Average	2983.23	3008.72	25.49	0.85
Standard & Poor's 500-Stock Index	379.42	389.62	10.20	2.69
N.Y.S.E. Composite	208.22	213.36	5.14	2.47
Value Line Index	239.26	242.866	3.60	1.50

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 7/23/91	Closing Price 8/13/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.63	6.13	–0.50	– 7.55	24	0.00	0.00	7.25	4.50
OTC	Arbor Drugs (H)	ARBR	19.00	19.75	0.75	3.95	23	0.12	0.61	21.25	8.88
OTC	Big B	BIGB	13.38	12.00	–1.38	–10.28	—	0.16	1.33	14.50	4.75
OTC	Drug Emporium	DEMP	7.75	7.50	–0.25	– 3.23	17	0.12	1.60	9.63	6.63
NYS	Fay's Inc.	FAY	14.50	14.13	–0.38	– 2.59	17	0.20	1.42	15.75	7.25
ASE	Genovese Drug (H)	GDX.A	11.88	12.75	0.88	7.37	16	0.24	1.88	12.75	5.00
NYS	Longs Drug Stores	LDG	40.00	40.25	0.25	0.63	14	1.08	2.68	44.38	30.88
OTC	Medicine Shoppe	MSII	21.00	20.25	–0.75	– 3.57	16	0.32	1.58	28.75	15.50
NYS	Perry Drug	PDS	7.13	7.75	0.63	8.77	–155	0.00	0.00	8.50	3.75
NYS	Rite Aid Corp.	RAD	20.38	23.13	2.75	13.50	17	0.48	2.08	23.88	14.75
NYS	Walgreen Co.	WAG	32.75	34.13	1.38	4.20	22	0.44	1.29	35.88	21.13
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	27.88	28.88	1.00	3.59	15	0.48	1.66	32.75	21.38
OTC	Bindley Western Ind.	BIND	15.00	14.38	–0.63	– 4.17	13	0.04	0.28	18.13	8.63
OTC	Cardinal Distribution	CDIC	42.00	44.00	2.00	4.76	32	0.08	0.18	44.75	18.50
OTC	Durr-Fillauer	DUFM	26.25	30.50	4.25	16.19	21	0.28	0.92	34.75	16.00
NYS	McKesson Corp.	MCK	34.13	34.63	0.50	1.47	14	1.60	4.62	37.13	26.88
ASE	Moore Medical	MMD	6.75	6.13	–0.63	– 9.26	– 88	0.00	0.00	9.25	3.50
NYS	Owens & Minor (H)	OMI	16.75	17.75	1.00	5.97	22	0.20	1.13	18.13	7.25
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	51.13	54.00	2.88	5.62	23	1.00	1.85	55.25	34.50
NYS	American Home Products	AHP	60.75	62.88	2.13	3.50	16	2.28	3.63	63.88	43.00
ASE	Barr Laboratories	BRL	21.25	20.88	–0.38	– 1.76	44	0.00	0.00	23.38	5.38
NYS	Baxter International	BAX	33.25	35.38	2.13	6.39	18	0.72	2.04	37.13	21.50
OTC	Block Drugs Co.	BLOCA	54.50	54.00	–0.50	– 0.92	18	0.80	1.48	57.50	29.63
ASE	Bolar Pharmaceutical	BLR	4.38	5.50	1.13	25.71	– 3	0.00	0.00	6.75	1.88
NYS	Bristol-Myers Squibb (H)	BMY	79.88	85.75	5.88	7.36	24	2.40	2.80	86.25	55.38
NYS	Carter-Wallace (H)	CAR	63.50	73.13	9.63	15.16	21	1.00	1.37	73.13	44.88
ASE	Columbia Labs	COB	6.75	7.00	0.25	3.70	– 5	0.00	0.00	9.75	3.63
ASE	Forest Labs (H)	FRX	39.75	40.50	0.75	1.89	42	0.00	0.00	43.63	19.00
ASE	Halsey Drug	HDG	5.00	5.13	0.13	2.50	23	0.00	0.00	5.94	2.13
NYS	ICN Pharmaceutical	ICN	7.00	6.38	–0.63	– 8.93	– 7	0.00	0.00	8.00	2.50
ASE	Lee Pharmaceutical	LPH	1.00	0.94	–0.06	– 6.20	– 1	0.00	0.00	2.25	0.88
ASE	Leiner P. Nutrition	PLI	10.88	10.75	–0.13	– 1.15	10	0.00	0.00	13.38	6.75
NYS	Lilly Eli Co.	LLY	72.75	78.00	5.25	7.22	18	2.00	2.56	85.13	65.63
NYS	Marion Merrell Dow	MKC	36.50	34.88	–1.63	– 4.45	18	0.92	2.64	39.63	29.50
NYS	Merck Co. (H)	MRK	120.25	127.00	6.75	5.61	25	2.52	1.98	129.75	72.38
NYS	Mylan Labs	MYL	24.63	25.88	1.25	5.08	28	0.20	0.77	28.00	13.75
NYS	Par Pharmaceutical	PRX	2.75	3.00	0.25	9.09	– 2	0.00	0.00	6.38	2.63
NYS	Pfizer Inc. (H)	PFE	58.63	65.13	6.50	11.09	26	1.32	2.03	65.50	32.25
NYS	Rhone-Poulenc Rorer (H)	RPR	41.63	45.88	4.25	10.21	20	0.44	0.96	46.00	28.63
NYS	Schering Plough	SGP	51.00	53.88	2.88	5.64	20	1.32	2.45	54.00	40.38
NYS	Syntex Corp. (H)	SYN	40.88	45.63	4.75	11.62	25	0.92	2.02	45.63	24.63
OTC	Taro-Vit Industries	TAROF	3.63	3.63	0.00	0.00	121	0.00	0.00	4.25	1.88
NYS	Upjohn Co.	UPJ	43.63	45.25	1.63	3.72	17	1.16	2.56	49.25	33.00
NYS	Warner-Lambert	WLA	67.75	69.50	1.75	2.58	18	1.76	2.53	82.25	56.50
OTC	Zenith Labs	ZENL	10.00	10.50	0.50	5.00	16	0.00	0.00	15.50	5.00
Other retailer transactions											
NYS	Albertson's	ABS	37.88	39.88	2.00	5.28	22	0.56	1.40	51.38	28.00
NYS	American Stores	ASC	40.00	41.00	1.00	2.50	15	0.56	1.37	46.19	21.31
NYS	Giant Food	GFS.A	28.38	24.00	–4.38	–15.42	12	0.64	2.67	31.25	21.13
NYS	Great Atlantic&Pacific Tea	GAP	41.13	40.25	–0.88	– 2.13	11	0.80	1.99	57.75	37.75
NYS	Kmart	KM	47.88	44.88	–3.00	– 6.27	12	1.76	3.92	49.50	23.38
NYS	Kroger	KR	19.13	18.25	–0.88	– 4.58	14	0.00	0.00	24.50	10.63
NYS	Melville Corp.	MES	48.88	46.75	–2.13	– 4.35	14	1.44	3.08	55.25	32.75
OTC	Fred Meyer	MEYR	20.75	21.50	0.75	3.61	15	0.00	0.00	22.25	10.00
NYS	Penney, JC	JCP	47.88	53.25	5.38	11.23	13	2.64	4.96	58.25	37.38
NYS	Safeway	SWY	18.25	18.88	0.63	3.42	18	0.00	0.00	21.63	10.25
NYS	Smith's Food & Drug	SFD	38.00	39.75	1.75	4.61	26	0.36	0.91	43.75	24.75
NYS	Wal-Mart (H)	WMT	46.00	49.88	3.88	8.42	40	0.16	0.32	49.88	24.88

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

DRUG STORE NEWS for the PHARMACIST

VOL. 1 NO. 8 The Journal of Retail Pharmacy AUGUST 26, 1991

NEWS FOCUS

- Look for FDA to shift at least four dozen prescription drugs to over-the-counter status over the next three years. A membership survey conducted for the FDA by the Nonprescription Drug Manufacturers Association indicates that industry firms will be submitting petitions for at least 48 prescription-to-OTC switches.

- Nationwide certification for pharmacy techs could come a step closer as a result of a new "task analysis" bankrolled by organized pharmacy. That analysis, sponsored by APhA, AACP, NABP and ASHP, is part of a broader two-year study to revalidate the Standards of Practice for the Pharmacy Profession. Besides facilitating "a voluntary certification program for pharmacy technicians," the analysis may lead to new duties for ancillary personnel.

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Techs: Boon or bane to busy pharmacists?

As counseling becomes a legal mandate as well as a professional touchstone, chains and independents are looking to technicians to perform more "counting and pouring and licking and sticking" tasks, to free up pharmacists to talk with patients. Despite resistance on safety, job security and other grounds, retail pharmacy technicians are gaining in recognition, both at the state level and behind the pharmacy counter.

For the Pharmacist *takes a look, beginning on page 23, at the status of retail pharmacy technicians today, in terms of state recognition, certification efforts and knowledge and task description.*

Technicians: Boon or bane to busy pharmacists?

By Susan Ball

In some states, the "T" word—as in pharmacy technician—doesn't officially exist.

In other states, pharmacy technicians, although they may be termed "ancillary" or "supportive" or "nonlicensed" personnel, are not only legally recognized, but tightly regulated as to what they can and cannot do.

One state, for example, may stipulate that techs can't take a drug off the pharmacy shelf, but can put it back, while another state allows techs to fill a prescription from shelf back to shelf, so to speak, as long as they're under a pharmacist's supervision. Some states specify a 1-to-1 tech-to-pharmacist ratio in retail settings and a 2-to-1 or 3-to-1 ratio for institutions such as hospitals, while others don't address ratios.

States split on recognition

A survey published in APhA's *American Pharmacy* in June, conducted by a group from the University of Tennessee College of Pharmacy, found that 25 states recognize pharmacy technicians by statute or regulation and 25 do not.

Whether techs are licensed, certified or registered also varies by state.

In summary, "It's a patchwork quilt of different regulations from state to state," said Mike Eaton, director of operations, Association of Pharmacy Technicians (APT).

But whereas even two or three years ago, the main issue was whether pharmacy technicians should be countenanced at all, the arena is shifting, with some vehement exceptions, toward not only tolerating techs behind the pharmacy counter, but lobbying for more of them, with expanded responsibilities.

The arena is shifting, with some vehement exceptions, toward not only tolerating techs behind the Rx counter, but lobbying for more of them, with expanded responsibilities.

As a pharmacist who once worked for a large drug chain put it, "Yeah, we had techs—we had to. We constantly begged for more!"

One force thrusting techs into the spotlight is the spread of mandatory consultation. In California, where mandatory counseling goes into effect Jan. 1, a bill to recognize pharmacy technicians is making its way through the Legislature, and among its proponents on record are Pay Less and Longs. Said John Young, vp-pharmacy services in charge of Pay Less' pharmacies in California, "If mandatory counseling goes into effect without pharmacy technicians, it would be a Catch 22 situation—the worst possible scenario."

Pharmacist shortage factor

Another impetus is the movement to make Pharm.D the entry level degree for pharmacists. "The use of pharmacy technicians will have to go up, in light of mandatory counseling and Pharm.D's impact on the pharmacist shortage," predicted a senior pharmacy executive at a large mass merchandise chain.

He added, "Technicians can relieve pharmacists of counting and pouring and licking and sticking—which isn't what they went to pharmacy school for—so pharmacists can do what they're supposed to do, which is counsel and supervise."

California's current legislative activity illustrates many of the crosscurrents surrounding pharmacy technicians. The state has tried before, unsuccessfully, to legislate the use of pharmacy techs, but those lobbying for the current bill are "cautiously optimistic" of its chances.

The bill, AB 1244, would permit the use of pharmacy technicians, with specified restrictions, to "perform packaging,

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Technicians: Boon or bane?

Continued from page 23

manipulative, repetitive or other nondiscretionary tasks" under the direct supervision of a registered pharmacist. It calls for a 1-to-1 ratio in community pharmacies and a 2-to-1 ratio in in-patient settings. The proposed legislation requires the California Board of Pharmacy to approve training and certification programs and to register technicians.

Opponents of AB 1244 include some labor groups, such as the Guild for Professional Pharmacists, and some chapters of the California Pharmaceutical Association, including the Marin County chapter, although the association as a whole strongly supports the bill.

Some fears expressed

Some opponents fear that permitting use of retail pharmacy technicians will mean cuts in pharmacists' jobs or hours. Another argument is that safety will be jeopardized: "With the use of nonlicensed pharmacy personnel, all safeguards, except the final check, will be eliminated," the guild contends in its letter of opposition. The guild also argues that security of drugs will be weakened, exacerbating the problem of drug diversion in the state.

As to pharmacists losing jobs, Bob Marshall, California Pharmaceutical Association executive vp, asserted, "That hasn't happened in other states [where techs are used]." Nor has an increase in pharmacy performance errors been reported elsewhere, he said.

The California bill's fate is expected to be decided next month. Among other states in various stages of addressing pharmacy tech issues are: Arkansas (which currently recognizes hospital techs only), Alaska, Hawaii, Montana and Wyoming.

As pressures build to free up pharmacists from what some call "nonjudgmental" or "manipulative" tasks, several pharmacy organizations are beginning to take a closer look at pharmacy technicians.

What they see is a blur: no

Continued on page 26

Opponents fear technicians will cut pharmacists' jobs or hours. Another argument: safety will be jeopardized.

What impact have techs had on pharmacy operations?

	Percent
• Freed up our pharmacists so they can counsel patients more	83%
• Expedited sales transactions (faster in-and-out)	91
• Improved service by helping customers find a product or by answering customers' questions about OTCs, specials, etc.	74
• Helped alleviate the pharmacist shortage	9

Source: *Drug Store News* Pharmacy Tech Survey.

Chains train pharmacy techs in-house

(100 percent of respondents said their companies do the training)

In-house training is done	Percent
• On-the-job, by pharmacist the tech will be working with	78%
• In a formal training program	31
• Other	13
• N/A	9

Percentages add up to more than 100 percent because of multiple responses.
Source: *Drug Store News* Pharmacy Technician Survey.

States take action on voluntary certification

Michigan and Illinois already have voluntary certification processes in place and are beginning to franchise their programs to other states.

Michigan was the first state to establish a voluntary certification process, in 1981. Its patented Pharmacy Certified Technician (PCT) program consists of a manual and examination. The exam is designed to cover the body of knowledge needed by both community and hospital pharmacy technicians, said Lou Sesti, ceo, Michigan Pharmacists Association, which funded the program.

"Certification has helped people get jobs and get better salaries," Sesti said. "It's strictly a voluntary program to measure knowledge. Michigan has left it to the marketplace to determine what training should be required."

Since 1981, the test has been taken 3,604 times (some take it more than once), and the pass rate is about 50 percent. Sesti said those seeking certification are about evenly split between community and hospital technicians. The daylong exam was initially given once a year, but is now offered on two consecutive days twice a year, because of demand.

Other states interested

Iowa is working out a licensing agreement to use Michigan's PCT program, and Arizona has it under consideration, Sesti said. Michigan's manual will be supplemented with Iowa law, and the first exam will be offered next spring, an Iowa Pharmacy Association spokesman said.

"What I feel is that technicians will be getting recognition," said Ronda Chapman, a pharmacy technician in a Walgreens in Des Moines, who is on a committee preparing a brochure to inform pharmacists and techs about the program. "Also, it will help pharmacists know which technicians, who take the exam and become certified, know a little bit more about pharmacy."

Illinois' voluntary certification program was funded by the Illinois Council of Hospital Pharmacists (an affiliate of the American Society of Hospital Pharmacists), which "saw a need to recognize the knowledge base that working technicians already had," and weed out those with insufficient knowledge, said Jan Keresztes, a member of the council's certification task force and coordinator of the technician training program at South Suburban College, South Holland, Ill.

Advantages of certification

Keresztes ticked off some advantages certification affords technicians, including job security, higher salaries and more responsibility.

South Carolina is in the process of contracting for the Illinois voluntary certification program.

If Michigan and Illinois continue to franchise their voluntary certification programs to other states, either program might become the embryo of a model voluntary certification program to roll out nationwide. Thus, the goal the ASHP set in June could be on its way to attainment.

Technicians: Boon or bane to busy pharmacists?

Continued from page 24

common job title, no common baseline of knowledge or responsibilities and a patchwork of state regulations that give headaches to drug chains operating in several states.

Bringing some order

Efforts to bring some order to the crazyquilt center on at least three fronts: developing a benchmark of knowledge and skills that technicians should have, developing a certification model (which generally consists of an exam and manual) and pushing for formal recognition of pharmacy technicians in more states.

Increasingly, pharmacy organizations are working together, or at least communicating more, on such efforts.

The APhA, in cooperation with the American Association of Colleges of Pharmacy and the National Association of Boards of Pharmacy, just launched a two-year study to determine the scope of pharmacy practice. The study will include an analysis of pharmacy technician tasks, in cooperation with the American Society of Hospital Pharmacists.

The objective is to get a handle on the current functions, responsibilities and tasks of both pharmacists and pharmacy technicians, in order to update and clarify the knowledge and skills required to carry out their respective functions.

APhA's position on pharmacy techs, adopted in 1988, endorses the term pharmacy technician and their "appropriate use" in various types of pharmacy practice. "APhA also advocates that pharmacists maintain supervisory control of techs and determine how techs are used," added April Shaughnessy, APhA director of student affairs. The association opposes mandatory licensing, certification or registration of techs.

'Relax state laws'

Big B's vp-professional relations, Tim Burelle, who chaired the policy-making committee in 1988, told *Drug Store News*, "We need a study of technicians' responsibilities first; then maybe we could spell out training needs.

"I think technicians can handle many of the daily activities pharmacists must do," he said. "I would like to see state laws relaxed in a way that would maximize the use of technicians and provide better service to patients."

Burelle added, "I favor voluntary certification but am opposed to statutory registration or certification, because it's redundant to license another person, when the pharmacist has the final responsibility."

But a pharmacy executive at another chain said her company doesn't favor any type of certification. "The issue is strictly economic," the executive said. "It wouldn't be feasible to hire them."

Some groups see voluntary certification of technicians as a means of establishing a knowledge and skill baseline. APT's Eaton said his organization favors certification of individual technicians and accreditation of pharmacy technician training programs. Certification would be either through accredited courses, testing or a continuing education program, he said.

The American Society of Hospital Pharmacists, whose influential advocacy for hospital technicians has also advanced retail technicians' cause, adopted a policy in June resolving to work with other pharmacy organizations to develop a national certification process for pharmacy technicians.

Use of pharmacy technicians in chains is widespread

96%	of respondents employ pharmacy technicians
74%	of respondents use the job title "pharmacy technician." Other job titles: "pharmacy clerk" (9 percent) and "cashier," "pharmacy aide," "pharmacy secretary" and "pharmacy assistant" (4 percent).
75%	of techs at responding companies work full time.
1.44%	is the average number of techs per pharmacy at respondent companies.
65%	said the ratio of tech to pharmacist is 1-to-1; 9 percent said the ratio at their chain is 2-to-1; 9 percent said 1-to-2; 4 percent said 1-to-10 and 4 percent said 1.5-to-1; 9 percent said n/a.

Source: *Drug Store News* Pharmacy Technician Survey.

What retail pharmacy techs do

Tasks	% of chains checking these tasks
Ordering, stocking, labeling medications, working at the computer (maintaining database, etc.)	96
Answering phones, cashier duties, clerical tasks	83%
Counting and pouring; assisting with preparations, under pharmacist supervision	83
Managing all nonprofessional aspects of pharmacy dept.	31
Other (explanations included calling and FAXing doctors' offices to refill approvals; third-party administration)	9

Most chains gave multiple answers.
Source: *Drug Store News* Pharmacy Technician Survey.

Chains give opinions on standardized training and certification

Should there be a standardized set of requirements for certification of all techs, nationwide?

Yes	17%
No	83%

Should tech training be standardized by establishing an accreditation procedure at state (or national) level?

Yes	26%
No	74%

Reasons for answering "no" to either of the above two questions:

Our company can do a better job of training techs to perform tasks tailored to our needs.	78%
Economic issues (for example, salaries commensurate with more extensive training would be too costly)	22%

Source: *Drug Store News* Pharmacy Technician Survey.

S5150-2

The newspaper of drug store retailing September 30,1991

DRUG STORE NEWS

Vol. 13 No. 17 A Lebhar-Friedman publication

LATE NEWS

• **INDIANAPOLIS — Hook-SupeRx, Inc. named Michael Moore senior vp and COO, a new post that reports to ceo and chairman Philip Beekman. The presidents of SupeRx, Hook and Brooks will report to Moore, who was senior marketing executive at Philip Morris.**

• **PONTIAC, Mich. — David Green has left his vp post at Perry Drug Stores to join former Perry ceo David Schwartz at Phoenix-based Smitty's, a combo retailer, as senior vp-marketing.**

• **TWINSBURG, Ohio — Revco D.S. has promoted James Ayers Jr. to the new post of director-professional operations.**

FEATURES

F&M DISTRIBUTORS
Drug Emporium
POWER
PHAR-MOR
BUYING

Low prices are here to stay

Deep discounting has caught on like fire, and leading the pack are Phar [illegible] po-rium [illegible] 11.

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SECOND CLASS

A.L. Price seals deal on Freddy's

By James Frederick

SUMMARY: The merger of two strong regional deep discounters turbocharges growth for chief executive Bill Edwards, who likes plenty of site opportunities in Florida and upstate New York.

WARREN, Mich. — A.L. Price has finalized its takeover of 24 Freddy's stores in New York and Florida from Melville Corp., the parent company of CVS.

The deal, closed Aug. 27 after more than two months of intensive negotiations, marks the merger of two strong regional deep discount drug chains into a three-state organization with 37 stores doing roughly $250 million in combined business. A.L. Price chief executive Bill Edwards said the deal offered "fantastic" growth opportunities, and termed the Freddy's stores "excellent plants to compete with."

Dick McLean, A.L. Price executive vp, said all headquarters operations and staff would be relocated to the Freddy's headquarters offices in Rochester, N.Y. That includes buying, advertising, accounting, finance and administrative functions,

See **A.L. Price** *page 4*

The ALP/Freddy's network
Locations by state

Florida	New York	Michigan
Boca Raton	Amherst	Allen Park
Boynton Beach	Buffalo	Deerborn
Coral Springs	Cheektowaga	Detroit
Ft. Lauderdale	Rochester (3)	East Detroit
Jensen Beach	Niagara Falls	Grosse Pt. Farms
Lauderdale Lakes	North Syracuse	Madison Heights
Miami (2)	West Seneca	Mt. Clemens
North Miami		Southfield
Pembroke		Southgate
Plantation		Warren (2)
Pompano Beach		Westland
Seminole		
Tampa		
West Palm Beach		

Source: A.L. Price

New England gears for new assault by off-pricers

BROCKTON, Mass. — Two of the nation's three biggest deep discounters are making their first incursions into New England this month, and both have put Boston squarely in their sites.

F&M Distributors opened its first New England store in this city of 100,000, just south of Boston, Sept. 10. Drug Emporium is following at the end of the month with its first store in the region, in the suburb of Bedford, near Manchester, New Hampshire. That store, on the fringes of metropolitan Boston, not far from the Massachusetts border, is the first of several the chain will open in the region in coming months.

Drug Emporium president Gary Wilber called Boston and New England "major markets with the ability to provide multiple opportunities for new-store growth," particularly with the slowdown in real estate development by other re-

See **New England** *page 4*

Wilber called Boston and New England "major markets with the ability to provide multiple opportunities for new-store growth."

Exclusively HBA gets a thumbs up

By Elizabeth Parks

NEW ORLEANS — The second annual Exclusively HBA show, which ran here earlier this month, had some weak spots, but as a whole attendees rated it fairly high and many small to mid-size vendor companies said they had a great show.

Many of the retailers who attended also gave the show good marks, with plenty to see and lots of leads to follow up.

Although the show is primarily skewed to mass merchandise accounts, wholesale membership clubs and wholesaler/distributors, there were a fair number of drug chains in attendance.

According to Jay Spaulding, the show's principal and ceo, drug chains accounted for 10 percent of the companies in attendance and 13 percent of the buyers.

Among the major drug companies walking the floor this year were American Drug, Big B, Harco, K&B, Drug Emporium, Revco, Sid's Get it For Less and Thrifty.

As it turned out, many drug and food chains did elect to pass on this show because, as several told us, it duplicates so much of what they've seen at trade shows sponsored by the National Association of Chain Drug Stores and the Food Marketing Institute. However, the consensus among the drug and food retailers who came was that the show was worth attending.

"If you're in the drug store business, you have to be here," said Vincent Bruno, vp of merchandising for Big B.

See **Exclusively** *page 4*

Ethnic cosmetics are hot, hot, hot

Yesterday, it was a stepchild.

Today it's one of the hottest growth categories in chain drug stores.

The "it," of course, is ethnic cosmetics, and according to buyers, some chain drug stores are enjoying year-to-date sales increases as high as 200 percent. Buyers agree that there are logical reasons for the success.

"For so long, there hasn't been a lot happening in ethnic cosmetics," says K&B's Donna McManus. "Now, all of a sudden, everyone's coming out with an ethnic cosmetic line, and finally we do have a lot more to offer consumers."

"There is a future for ethnic cosmetics, and it's one I want to go after," agrees A.L. Price's Nancy Stone.

Buyers like Stone, McManus, Revco's Judy Wiencze Wray, Pay Less's Shari Ralston and Bill's Sharon Schrage feel that with all the new launches in the category, stores have a chance to offer a lot more selection.

Stone says drug store merchants should be able to take the women buying the upscale Fashion Fair line in department stores and get them "to take a look at what we carry in our stores." For a more in-depth report on ethnic cosmetics, as well as the current state of ethnic HBA sales, see our special report beginning on page 73 of this issue.

NEWS IN BRIEF

NACDS forms group on pharm issues

ALEXANDRIA, Va. — NACDS has formed a Committee on Pharmacy Practice and Education Policy to review the positions and actions of pharmacy organizations, educational institutions and regulatory bodies, and determine how they affect chain drug store pharmacy. The committee, composed of 10 NACDS board members, will also advise the NACDS board on which practices help or hinder their objectives of enhancing community practice and promoting the continuation of multiple degrees in pharmacy schools.

In related developments, NACDS announced a series of promotions to strengthen the group's activities in a few areas. Kurt Proctor, Ph.D., R.Ph., has been named director-research and policy development and will assume responsibity for education-related issues.

Laura Weber, R.Ph., is now director-pharmacy educational and professional programs. Roy Bussewitz, R.Ph., is now director-third-party and regulatory programs. Proctor, Weber, and Bussewitz will report to Randy Teach, senior vp-policy.

Mary Johnson has been promoted from assistant meetings manager to meetings manager. Bonnie Loranty has been named project manager-trade relations. Both will report to Ted Peterson, senior vp-trade relations.

Kroger aims for hearts of Cowboy fans

DALLAS — Kroger Co. has taken an unusual step to win new converts in this town, where football is on a par with motherhood and apple pie and Tom Landry is the unofficial mayor. The combo chain agreed just before the start of the football season to buy all remaining tickets before the blackout deadlines of the first three Dallas Cowboys home games.

Kroger's move staved off the threat of TV blackouts. A local observer said the promotion generated a bonanza of positive press for the chain. Kroger is using the tickets as giveaways to customers who shop its stores, thus gaining more converts.

Meanwhile, Kroger, Tom Thumb/Page Drug and Jewel/Osco are all faced with a new competitor in Dallas. Fast-growing Food Lion has hit town, spurring a furious round of price-slashing among combo rivals.

Two finance execs move at Phar-Mor

YOUNGSTOWN, Ohio — Two financial executives have been promoted at Phar-Mor. Jeffrey C. Walley, former corporate controller, has been named vp-finance at the Pittsburgh-based deep discounter. Walley will be responsible for all finance and treasury functions at Phar-Mor and Tamco, Inc., Phar-Mor's distribution center. He will now report to senior vp and cfo Pat Finn. Stanley J. Cherelstein, previously controller for Tamco, Inc., has been named controller of Phar-Mor. He will now be responsible for financial reporting, budgeting, and accounting at the chain.

Spokesperson Carol Robinson said both positions were newly created to reflect the growing responsibilities the executives had been handling.

Bike race for MS to be held in NYC

NEW YORK — Pharmaceutical companies will be among the leaders as 200 New York-area corporations field teams for the seventh annual Fall Bike Tour sponsored by the National Multiple Sclerosis Society on October 20.

American Cyanamid, which raised the most money in last year's event, will have a team of 100. Pfizer, Sandoz, and Schering will also provide cycling challengers, according to an event spokesperson. Over 5,000 cyclists are expected to raise $750,000 by participating in the 55-kilometer tour through traffic-free streets in Manhattan, Brooklyn and Queens. Corporate teams will compete for the Sports on Broadway Cup.

MS is an often-disabling disease for which there is no known cause or cure. The funding supports vital services and research.

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Revco, creditors are split on bank debt question

SUMMARY: Revco's ongoing struggle to emerge from bankruptcy gathered steam in early September with the release of a new financial reorganization plan by its creditors. The plan envisions a different settlement than the one proposed by Revco; it may set the stage for a showdown in court.

By James Frederick

AKRON, Ohio — Revco's creditors have filed an alternative reorganization plan for the bankrupt company in response to a plan filed by the chain's own board of directors three months ago. Both aim to pull the chain out of its three-plus-year hiatus in Chapter 11, but the two plans differ in significant ways.

The biggest difference is in the amount of bank debt the two groups assume a post-bankrupt Revco could carry. The chain's own plan of reorganization proposes that the post-bankrupt chain carry $309.5 million in bank debt after paying off all obligations. Creditors argue that the debt load envisioned by Revco's board is too high; their alternative plan assumes $205 million in bank debt.

Split decisions

The difference arises from how each plan assumes each class of creditors will be paid off. The creditors' plan, filed with U.S. Bankruptcy Court here Sept. 6, would give pre-LBO bondholders convertible preferred stock in the reorganized company in lieu of the cash proposed in Revco's plan. Junk bondholders would also trade in their notes, now a fraction of their original value, for new stock.

The creditors' plan also leaves nothing for Revco's current owners, who are heavily represented on the chain's board. Under bankruptcy law, any claims to Revco's assets by current stockholders would take a back seat anyway to claims by lending banks, trade creditors and bondholders. These groups were owed a total of $1.45 billion when the company fled into Chapter 11 protection in July 1988.

Details of the creditors' plan are not yet available. The next step will be the filing of a disclosure statement with the court which details each aspect of the payout proposal and its impact on Revco's finances. Meanwhile, the court has yet to set a hearing date on the Revco plan and disclosure statement.

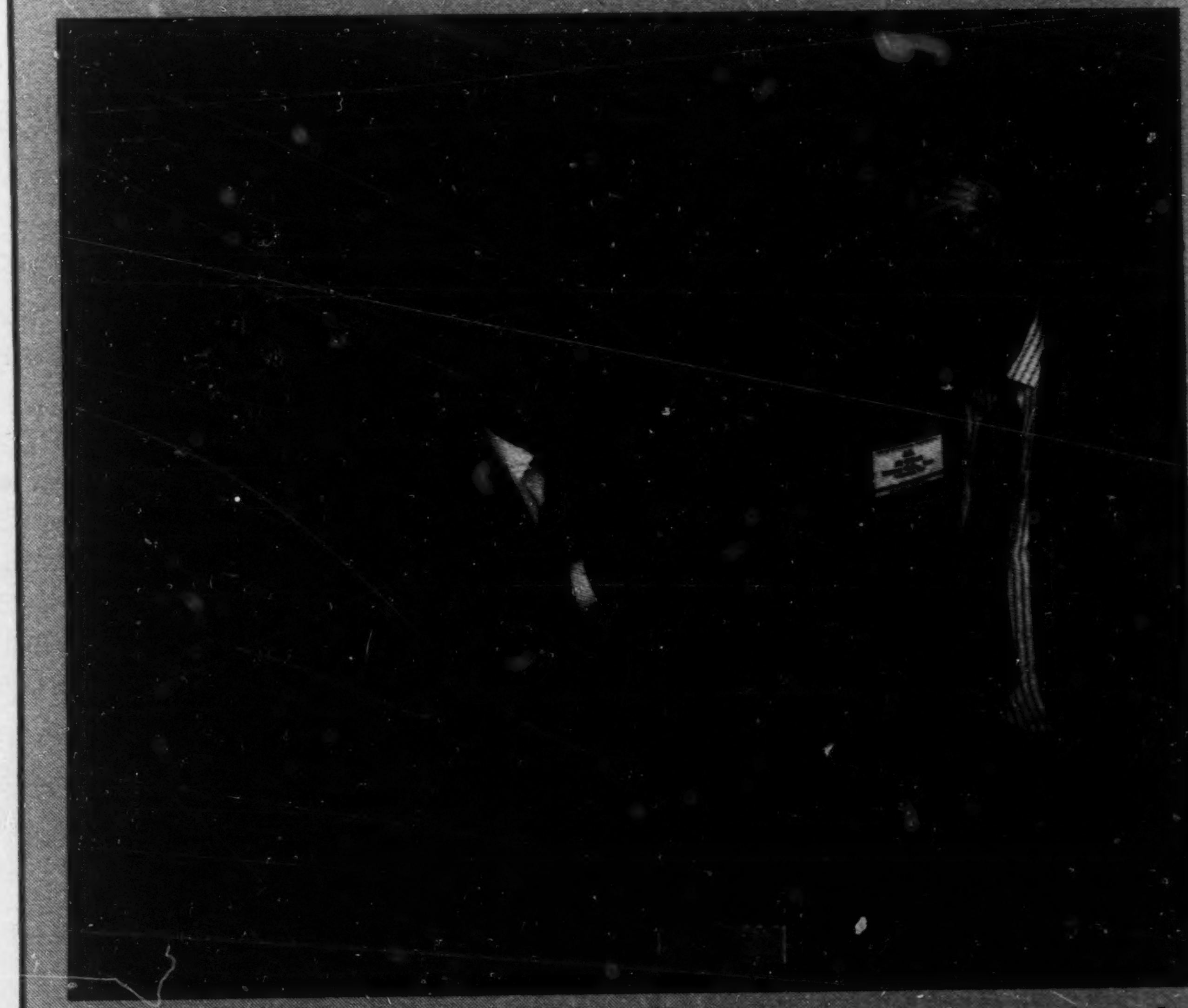
Reorganization

For Revco to emerge from Chapter 11, a reorganization plan must be approved by the court with the backing of a 51 percent majority of creditors, representing two-thirds of the dollar amount owed by Revco to its claimants. Efforts to bring the chain out of its long bankruptcy ordeal have already cost it more than $50 million in legal fees. Those efforts have been stymied by continued wrangling among different groups with competing claims to the company. Continued operating losses by Revco have also complicated settlement efforts, although the chain has been on a strong performance uptrend in most of its remaining markets.

For its part, Revco finds itself the object of a tug-of-war between its various classes of creditors, its current owners and its pre-LBO bondholders, all of whom have different ideas about how the company's financial obligations should be settled. But company spokesperson Diana Leuptow said Revco remains committed to a consensual agreement—whatever plan is approved by creditors.

"It will be our goal to support any plan that has consensus, is confirmable and leaves Revco in a healthy state going forward," Leuptow said. "This is not a war between two plans."

Revco vp Sebok accepts chain Rx'er/pharmacy award



Al Sebok, vp of professional relations at Revco, D.S., receives the NACDS/Harold W. Pratt award from Ron Ziegler, president and ceo of NACDS, while Jan Sebok joins in the congratulations. The award, presented annually in conjunction with the association's pharmaceutical conference, recognizes the chain drug store pharmacist whose activities have contributed to the promotion, recognition and improvement of the practice of pharmacy within the chain drug store industry.

Standard opens 'free Rx delivery' store

RICHMOND, Va. — Standard Drug is demonstrating its commitment to the downtown area here with its recent grand opening of a new 3,700-square-foot store, located in the historic "Ironfronts" complex on Main Street.

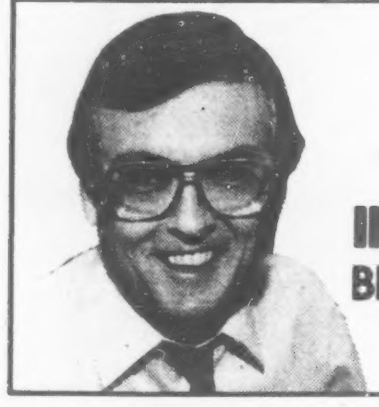
The store, which is open weekdays, marks Standard's introduction of free prescription delivery service to the downtown area. Both the new Ironfronts store and the chain's other downtown unit on Grace Street, will offer free pharmacy deliveries from 11 a.m. to 4:30 p.m., provided by The Bike Express courier service.

The grand opening Sept. 6 featured a live radio remote broadcast and appearances by local officials.

Standard's president, Tom Rosenthal, commented, "We are committed to the downtown area of Richmond and see it as a viable and lively retail area. By offering not only a new location, but also free prescription delivery, we hope to raise the level of service in the downtown area and make one more option available as an incentive for people to do their shopping here."

Standard, which with the Ironfronts unit, operates 61 stores, also offers free prescription delivery service in two other Virginia metropolitan markets.

Wal-Mart carries a big stick and will use it



IN THE MARKET
BRUCE BUCKLEY

Carrots work. But sometimes sticks are better.

Wal-Mart took the latter approach when it informed vendors earlier this year that it would no longer tolerate a casual approach to UPC product coding. Make no mistake: Wal-Mart carries a big stick.

The discount giant told its product suppliers that it would impose stiff fines for violating UPC standards: 10 percent of the purchase order for a first offense and up to $100,000 (or 10 percent—whichever is higher) for three-time losers.

Privately, some of Wal-Mart's approximately 5,000 vendors expressed outrage at the penalty system. But, of course, nobody rebelled. Selling products into Wal-Mart stores is a pretty strong incentive for compliance.

The result of the get-tough policy? Scanning accuracy has improved from the 91 or 92 percent level to 95 percent, Curtis Arend, administrative manager of Wal-Mart's UPC item file, told *Drug Store News* senior editor David Vaczek. For Wal-Mart, the goal of 98 percent is going to require continuing vigilance, plus resolving some of its own problems with internal coding procedures, Arend said.

In improving the integrity of its product file, Wal-Mart gains in its ability to buy and manage inventory. The discounter already sets the standard for distribution efficiency, but if it is to achieve its long-term growth goals, it cannot afford to rest on its achievements.

Advantages also accrue to Wal-Mart's vendors. Cleaner UPC files mean more accurate and timely national and regional product movement information, better forecasting and stronger marketing all around.

Accurate UPCs also benefit the drug store industry, many of whose companies are now fully scanner-equipped or rolling out systems. Wal-Mart's "stick" may thus cast a longer shadow than anyone anticipated.

* * *

Retailing may be in the doldrums because of the sputtering economic recovery, but it would be hard to tell that from the robust activity of the three leading deep discounters profiled in this issue. Their growth has been nothing short of phenomenal.

While many other chains have gently tugged on the expansion reins, Phar-Mor, Drug Emporium and F&M have taken off at a furious pace, galloping into new markets with a loud clatter.

They are also relentlessly increasing their penetration of existing markets. They may eventually bang into some restraining wall out there, but they have not seen it yet. Overstoring is a word not found in their dictionaries.

In today's economy, it's imperative to understand what's motivating customers. The Big 3—and others in this rapidly expanding retailing segment—have a firm grasp on the worrisome forces confronting consumers.

Their price-driven approach in high-demand product categories is a tonic that will propel growth both now and well into the future.

Kids needle Va. governor on drug abuse

THE HUMAN SIDE
AL HELLER

A statewide drug abuse essay contest, sponsored by 85 Cardinal Drug Centers in Virginia, elicited sharp observations, fresh wisdom—and some disturbing comments—from the 200 five-to-fourteen-year-olds who entered. Their job was to write a two-page letter to Governor Wilder, telling him how to halt drug abuse.

The contest was conceived by a marketing team at five-store-operator Richmond Apothecaries, owned by pharmacist Dan Herbert, who signed onto the Cardinal network about 13 months ago. Laura Peery, a consultant for Cardinal, took the idea networkwide, using Cardinal's greater statewide presence to involve more people.

Cardinal, the franchised coop program of wholesaler Owens & Minor, has for the past year hosted an hour-long program, Kids and Drugs, every other Thursday on BLAB, a cable television station broadcast throughout Greater Richmond.

The anti-drug messages aired here, posters hung in stores, and cooperative work with the Greater Richmond Informed Parents group, got some young juices stirring during the summertime contest, which ended with winner Jason Daugherty and 12 runners-up being feted at a Triple A Richmond Braves baseball game on Aug. 29.

From Jason, age 12 of Shacklefords, Va.: "Keep kids busy doing activities that are fun and beneficial. . school projects, state highway cleanups. . . Construct a facility in schools. . .where kids can talk to other kids about taking drugs and what could happen. . .train kid counselors to talk to other kids . . .put books, cassette tapes and videotapes in public and school libraries."

From 9-year-old Merenda Garnett Kranz, second place, of Louisa, Va.: "Have one person for each school that has the experience of drugs. That person will tell what they went through. They will also tell what other drugs do to you.

"The person might be from jail. People from jail who don't do drugs anymore and are going to be let out of jail can do that for a job."

From 11-year-old Robert Brown, third place, of Richmond: "Taking drugs is like melting iron. Taking drugs is killing all good memories. Let's keep our memories alive!" He urged that drug users surrender their cars, be treated longer in hospitals, hear loving words from their families and be educated better.

Herbert, 48, who served as president of the Virginia Pharmaceutical Association in 1987, explained: "Parents say the problems are in school, the school says it's at home. We wanted to hear from the kids what they think people around them should be doing about drugs." He termed the contest a "quality success," but noted that the back-to-school promotion and contest tie-in raised BTS sales in his stores just 15 percent ("the recession," he says), compared with gains in prior years of 20 percent to 25 percent.

Next year, Cardinal will extend the program into September and possibly January for greater school involvement, said Peery. Herbert said he'd like to see 1,000 entries in 1992.

The need for balance in anti-drug messages was brought home vividly by five-year-old Maria Blackwell of Richmond, who wrote: "No drug stores. Only groceries with medicine. Throw them in jail."

Said Herbert: "Young kids don't distinguish between legal and illegal drugs. We have a generation of kids growing up associating drug stores as bad places. We need long-term education about the positive role of pharmaceuticals in life, and teach that drug stores are not the source of drug abuse."

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overview

Off-pricing comes into its own, led by the Big Three

By James Frederick

In the 1980s, the deep discount drug store industry presented its calling card to the American consuming public and to its chain drug and mass-market competitors. The card contained a simple message: welcome to the future of HBA retailing. Low prices are here to stay.

The message got through. After a relatively quiet start, the off-price industry erupted out of the East Central, Upper Midwest and Southeast regions of the U.S. It gathered steam as its theme of everyday low prices and brand-name items took hold, leapfrogging into scores of major markets and shaking the local retail balance. In the process, the low-price, volume merchandising strategy coalesced around a variety of different retail formats.

What has emerged are a handful of powerful off-price chains that dominate the business, led by the Big Three retailers with national or multiregional impact: Phar-Mor, Drug Emporium and F&M. Together, these three account for more than half of the industry's sales, which this year will top $8 billion.

Behind them, a slew of powerful regional off-pricers have also emerged to carve big chunks of the drug, discount and food-store business out of local markets. The second-tier list includes Marc Glassman, Inc. in greater Cleveland and Connecticut; Rock Bottom in New York; A.L. Price/Freddy's in Michigan, New York and Florida; Woolworth's RxPlace in the Northeast; and Rite Aid's Drug Palace in scattered markets.

It's a remarkably young industry, considering its enormous impact on the U.S. drug and general merchandise arena. Its pioneers include the late Bernie Shulman, Fred and Margaret Cohen (of F&M), Marc Glassman (still very much in charge of Marc's). Its history as a chain industry goes back to the day before yesterday—the late 1970s. Its biggest player, Phar-Mor, dates back all the way to 1981.

The granddaddy of the business, F&M, can trace its history all the way back to 1955, but F&M didn't open its second store for another 22 years. By then, Bernie Shulman's and Drug Emporium were beginning to make their mark.

There's a central paradox to this business. Deep-discount drug stores usually do best in upscale, higher-income neighborhoods.

It's not hard to see why: off-price stores depend on fast turns and lots of full shopping carts to offset their slim gross margins and keep the doors open. They want shoppers who can afford to stock up once or twice a month.

"If the shopper's question is to eat or buy toiletries, she's a onesy-twosy, not a stock-up shopper. She won't appreciate what a store like F&M can offer," F&M president Frank Newman once said in describing the chain's strategy of targeting educated, well-to-do families with its value concept.

Underlying this business strategy is a powerful realiza-

Continued on page 12

F&M DISTRIBUTORS

Stores per State	
Michigan	34
Illinois	30
Baltimore/ Wash., D.C.	20
Minnesota	8
Wisconsin	3
Indiana	3
Ohio	2
Massachusetts	1*
Total	101
Projected by end of year	114

**First Boston-area unit opened Sept. 10. A total of four Massachusetts projected by end of year.*

Source: F&M Distributors

DRUG EMPORIUM

Stores per State	
Arizona	12
Arkansas	1
Calif.	15
Fla.	5
Georgia	25
Indiana	5
Kansas	1
Kentucky	5
Louisiana	3
Maryland	15
Minnesota	4
Missouri	6
Nebraska	1
Nevada	1
New Jersey	10
New York	1
North Carolina	9
Ohio	14
Oklahoma	2
Pennsylvania	15
South Carolina	3
Tennessee	1
Texas	28
Virginia	15
Washington	12
Wisconsin	5
West Virginia	3
Total	217

As of 9/5/91

Source: Drug Emporium

Stores per State	
Alabama	4
Arkansas	1
Arizona	5
California	1
Colorado	7
Delaware	1
Florida	45
Georgia	14
Illinois	29
Indiana	11
Iowa	4
Kansas	2
Kentucky	2
Louisiana	3
Michigan	3
Missouri	6
Nebraska	1
Nevada	4
New Jersey	1
New Mexico	2
N. Carolina	14
Ohio	19
Oklahoma	1
Pennsylvania	31
S. Carolina	10
S. Dakota	1
Tennessee	5
Texas	17
Virginia	13
W. Virginia	4
Wisconsin	7
Total	268 in 31 states

(Plus 12 freestanding entertainment or liquor locations next to Phar-Mor stores.)

Source: Phar-Mor

Drug Emporium: a highly disciplined HBA specialist

Phil Wilber has never been accused of thinking small. The soft-spoken, affable founder and chairman of Drug Emporium has kept the chain on a fast-growth track almost from the beginning of its 14-year history.

Wilber opened his first Drug Emporium here in 1977, marrying the low-price buying and pricing concepts of deep-discounting with a more refined, less cluttered store format. The marriage was a hit with customers, and soon Wilber was expanding the concept to other Ohio locations.

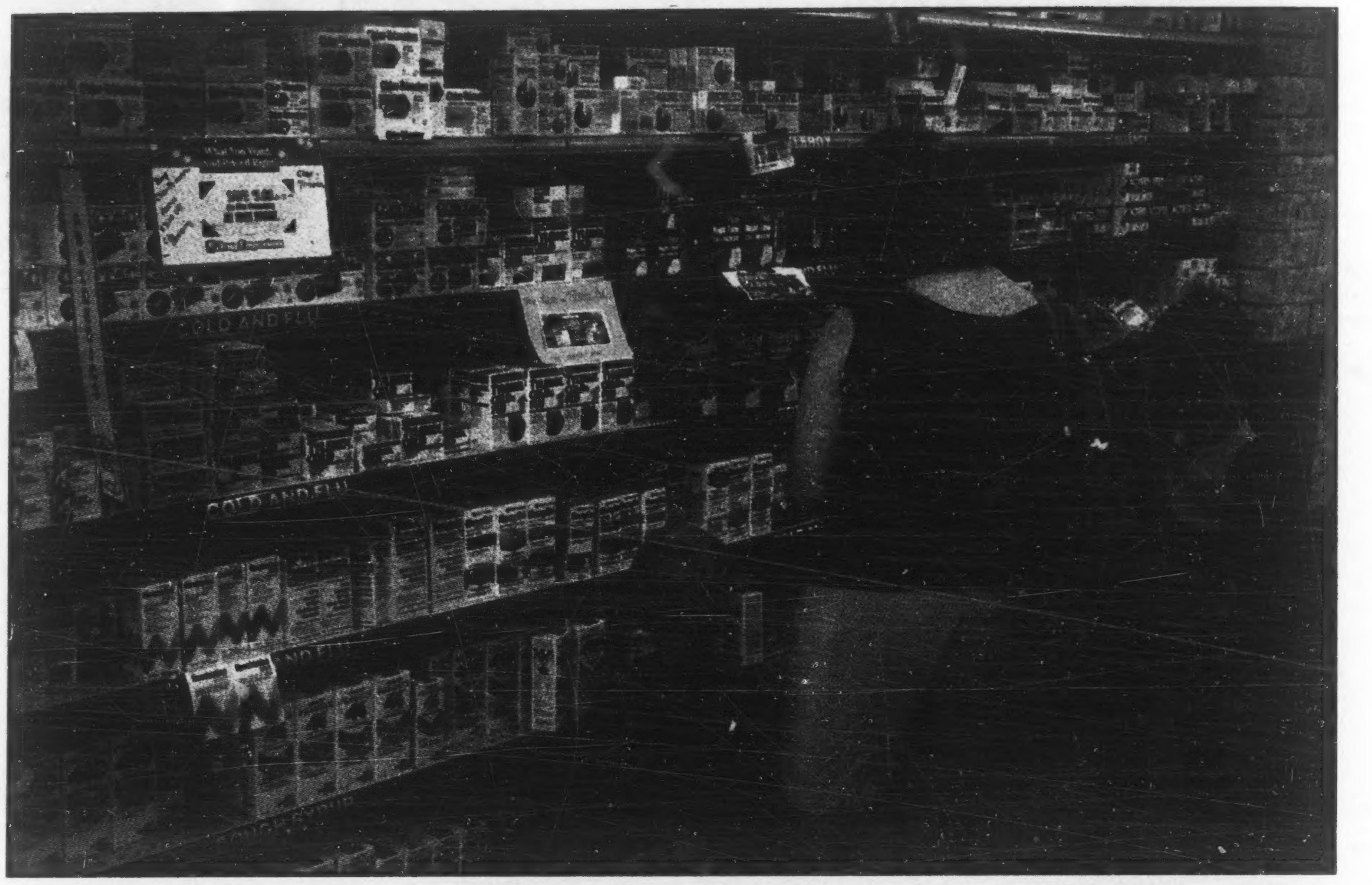
To overcome the fledgling company's initial capital limitations and expand more rapidly into new markets, Wilber began franchising the concept to operators around the country.

With help from son Gary—now chief executive—and a small cadre of other operations and merchandising people, Wilber refined and standardized Drug Emporium's buying, merchandising and business strategies.

In the process, Drug Emporium helped pioneer a more disciplined and centralized approach to a business that had previously been characterized by its entrepreneurial spirit and reliance on individual store management.

That more centralized approach helped Drug Emporium create the operating and merchandising standards that made franchising the concept possible, but it also allowed central-office buyers to develop real expertise in key merchandise categories like cosmetics, shampoos and OTC medicines.

That expertise has become a hallmark of Drug Emporium.



Drug Emporium, one of the top 10 retailers for most major HBA manufacturers, derives more than half its volume from HBA and seeks to overwhelm competition with assortments.

COLUMBUS, Ohio — Drug Emporium president Bob Lyons likes to describe the company's management philosophy as an "upside-down pyramid.

"The store is where the action is," he said recently. "We're decentralized—store managers make decisions."

Lyons' comments underscore the delicate decision-making balance required to run a successful off-price chain. That balance requires the right mix of centralized, standardized support and control over merchandising and marketing, with a strong dose of store-level autonomy and on-the-spot decision-making.

In the case of Drug Emporium, it means that store managers "make the quantity decisions in terms of purchasing," according to ceo Gary Wilber, while central buyer/merchandisers review categories and new items, plan strategies with vendors, maintain general merchandising standards and execute ad feature programs.

Both sides work to hone Drug Emporium's edge as one of the nation's top 10 retailers for most of the major manufacturers of HBA. Indeed, the chain bills itself as having "the nation's biggest selection of HBA." Selection in its stores bears out the claim.

In categories like eye care, hair care and pantyhose, in fact, Drug Emporium seeks nothing less than to overwhelm its competitors with selection. A case in point: stores carry roughly 220 eye care items alone, including a huge mix of cleansing and wetting solutions for contact lenses and specialized items for sensitive and sore eyes.

In eye care, hair care and pantyhose, Drug Emporium seeks nothing less than to overwhelm its competitors.

"Drug Emporium has been working hard to influence the customer mind-set," noted the company's most recent annual report. The goal: to position the stores as the specialist in HBA—from which the company derives more than 50 percent of its business—and related categories such as cosmetics/fragrances.

Rich Landers, vp-marketing and merchandising, explained it this way: "We market Drug Emporium. . .as the HBA specialist with deep-discount prices, providing customers with what they want, when they want it."

That focus on maintaining broad selections and remaining in-stock on HBA positions Drug Emporium differently from most off-price competitors who rely strictly on deal buys for a rotating mix. Indeed, founder Phil Wilber refers to the company as a "specialty drug store" that happens to maintain sharp everyday discounts.

Another crucial Drug Emporium difference: its stores route customers past a "What's Hot, What's New" aisle as they enter the store—hitting them with pallets of heavily advertised new "A" branded products in the first aisle.

To boost productivity, the chain has spent heavily over the past three years on new automation. Its efforts have yielded a new pharmacy computer system and new computer systems in every store for managers.

Led by Big Three, off-pricing comes into its own

Continued from page 11

tion: that even many upper-income consumers now behave like bargain-shoppers when stocking up on everyday items like shampoo, film and even movie rentals, provided they don't have to go too far out of their way or navigate through aisles filled with schlock merchandise to find their favorite brand names. Price, in other words, has become a top-of-mind consideration that now influences the everyday purchasing decisions of millions of American consumers. Deep discounters can take a big part of the credit (or blame, depending on your perspective) for that fact.

But the secret of the success of the Big Three is more than just their ability to scout the best deals and pass big savings on to their customers. Bargain-basement operators have always had that knack. The real reason for their success is that they took the steps necessary to bring everyday low prices on trusted, brand-name items to the vast mainstream of American consumers—including those who can afford to shop anywhere they want. They made bargain-hunting a legitimate and simple alternative.

The off-pricers did this by recognizing that it wasn't enough to fill the store with low-priced deal merchandise and open the doors. To secure a permanent market niche, they knew they had to behave like disciplined chain retailers. That meant going after market share with enough convenient locations to truly cover a market. It meant opening stores in "A" locations that were easy to get to—preferably in high-traffic destination locations. It meant going after deals and closeouts on the brand items most people insist on. It meant balancing the shopping excitement of a rotating blend of in-and-out deal product with enough in-stock consistency and predictability to keep people coming back for both reasons. And it meant a near-constant process of upgrading and renewing stores.

The reason for the Big Three's success: they bring everyday low prices on trusted, brand-name items.

It's a fine balancing act. On one hand, successful off-pricers generally go after mainstream, middle-income and upscale consumers by keeping stores clean and neat enough to make shopping easy and pleasant. But part of the allure of deep-discounting remains the fun, the excitement, the unpredictability of one-shot deals, cut-case stock stacked 10 feet high and—yes—a dollop of clutter and seasonal schlock to keep things interesting.

Too much in one or the other direction may be death. Then again, who knows? It's still a new industry, and despite the codification of certain principles, deep-discounters are still finding out what works and what doesn't as they go along. Lots of variations on the central low-gross theme seem to work.

That said, let's take a look at the growth and future of the industry by focusing on its three leading players with national impact: Phar-Mor, Drug Emporium and F&M. In a few short years, these three big players and a score of smaller ones have had an immeasurable impact on drug and mass merchandise retailing in the U.S.

Ethnic hair care sales steady but show little growth

SUMMARY: Ethnic hair care sales haven't changed much in the last year, but some segments are super productive, particularly relaxers, hair color, styling aids, color cosmetics, hair conditioners and bergamots.

As we move into the last quarter of 1991, the ethnic hair care product category, in terms of dollar growth, is basically static.

Although some sources estimate that industry sales are up by 3 to 5 percent because of sales to professional beauty store operators and salons, most distributors and category buyers say the trend at retail is down, possibly by as much as 5 percent in some markets.

At North American Beauty Service in Baltimore, Founder Dave Pearlman says that in the last six months, the category as a whole hasn't changed much. "It's matured to the point that we're not seeing the revolutionary changes that took place in the past."

He estimates that ethnic HBA sales may be up about 3 percent versus last year.

At Harco Drug in Alabama, ethnic product buyer Charles Monk reports his year-to-date same store sales are up about 5 percent, an accomplishment he strongly credits to Harco's aggressive promotions for ethnic. "Promoting as much as we do drives our business," he says.

In Oklahoma City, Kent Humphreys, president of Jack's Service Company, says the industry is sluggish, with growth off by as much as 5 percent. "There are no new products out there right now to drive the growth," he says, "although the good news is that there are some interesting developments coming."

Richard Eichholz, president of Ben Sheftall, also sees a "softness" at retail. "Easter sales weren't near what we anticipated, although the summer has been hot, and that's been good for business," he says.

Category segment analysis

There are several very strong growth segments within the category, but with the exception of relaxers, which accounts for about 15 to 18 percent of dollar sales, the largest growth is coming from segments with relatively small dollar bases.

Hair color is a very strong growth segment, but in some companies, it accounts for only 2 percent of total sales and in others, less than 5 percent.

At Standard Distributing in Detroit, president Dan Medow says that from July 1988 through July 1991, his sales of ethnic hair color increased by 62 percent. On a year-to-date basis, they are up 13 percent, and for some companies like Beauty Enterprises in Connecticut, hair color sales are up 40 percent versus last year.

"The hair color market is expanding and expanding," says Pearlman. "Dark & Lovely is doing very well and Creme of Nature is moving well too."

Relaxers

All our sources reported some growth in relaxer sales,

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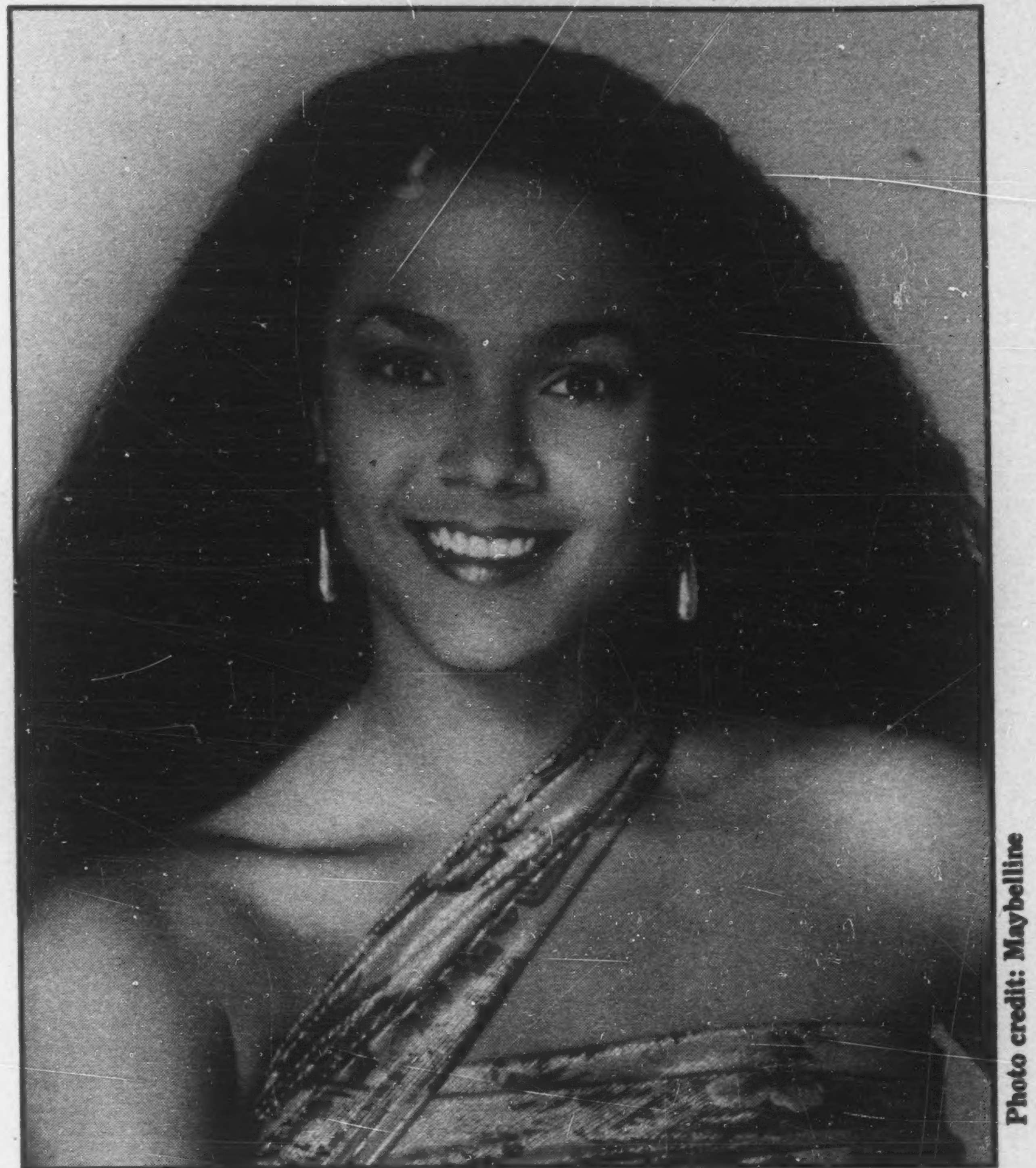

Photo credit: Maybelline

Hair color is a hot growth segment and one of the true bright spots for ethnic hair care in 1991. Relaxers and styling aids are also popular.

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CONDITIONER
NET WT. 3.5 OZ
ISOPLUS®
HAIR & SCALP
TREATMENT
NET WT. 3.5 OZ.

Steady but static growth in ethnic hair care sales

Continued from page 88

up at least 5 percent in most cases. Dark & Lovely, Gentle Treatment, Soft & Beautiful and Creme of Nature were usually named as the four strongest brands in the segment.

"Relaxers are unbelievably hot," says Eichholz.

"Relaxers are doing so well because they give women so much versatility," says Pearlman. "You can try many different styles with relaxed hair."

According to TCB product manager Maggie Delatour, 70 percent of all ethnic women currently relax their hair. That's created a strong demand for maintenance products for relaxed hair, and TCB, which has a full line of these items, is about to kick off a new ad campaign designed to maximize that marketing opportunity.

Monk says he interprets the new program as Culver's signal that "they're going to get in there and make something happen. There hasn't been anything exciting coming out of TCB in a while," he says," and now they're going to be spending more aggressively and promoting more and more. They're participating in our beauty schools and they're supporting us so we'll be supporting them. It's exciting."

Growth segments

At Beauty Enterprises, buyer Jim Normandin reports that several small segments are showing way above average growth, including medicated conditioners, up 28 percent; soaps, up 22 percent; pomades, up 16 percent; hair food, up 14 percent; skin creams, up 12 percent, and aerosol sprays, up 15 percent.

Normandin singled out Ambi's bar soaps as a top brand in its category. In pomades, he said the top brands right now are Soft Sheen Sporting Waves Pomade and Murray's Hair Pomade. He said Luster's Oil Moisturizing Sheen Aerosol and Revlon's Finisheen are also doing well as is Bronner Brothers Super Gro and TCB Hot Oil.

Styling aids are hot

Styling aids are continuing to show exceptionally strong growth.

Geri Duncan Jones, executive director of the American Health and Beauty Aids Institute (AHBAI), says spritzes, sprays, gels and lotions are particularly popular right now. "These are all items that help finish the styles that people are wearing today," she says.

Humphrey says his two best selling spritzes are the New Era Spritz and the J.M. Products Isoplus Spritz. Eichholz is doing very well with the Summit Pre-Con Gel and with Vigorol.

Normandin also reports that styling gels are up 36 percent versus last year, with LeKair Styling Gel Extra Hold and Pro Con Gel leading the pack.

He adds that bergamots right now are showing the strongest growth in his markets with sales up 50 percent over last year. Posner's Bergamot and Blue Duchess Bergamot are two of Beauty Enterprises's best sellers.

Conditioners and Hair Dresses are up by 30 percent versus last year, he says. Ultra Sheen Conditioner and Lekair Cholesterol Creme are two of his best sellers.

At Harris Beauty Supply's Atlanta office, buyer Mike O'Brien said that the New Era Hot Oil is a relatively new item that is selling extremely well in his markets.

Hair styles, fashion trends

Comb kits and curl kits, however, are down, reflecting the changes in hair styling away from the curl.

From the fashion perspective, there is only one new hot hair style shaking up the market, and that's the wrap, which everyone says is getting more and more popular each day.

"The wrap has become very popular and it's getting stronger and stronger," says Pearlman. Because of the wrap, a new product segment has emerged: wrap lotions."

"The wrap continues to be hot all across the country," says Jones, "and that's been great for the sales of styling lotions that women need to keep the style in place."

Jones also notes that black men are still wearing their hair short. The high top look is still popular with the sides tapered and the hair on top cut high and flat. "Texturizers are selling well to men," Jones says. "They help make hair more manageable, and you see guys still using lots of gels and lotions to keep their hair set in place."

J.M. Products has an Isoplus Wrap Lotion that is doing very well at retail. Other brands also singled out are Revlon's Wrap & Tap, doing well in the salon market place as well as at retail when it's available, and Pro Line's Wrap Lotion, one of the first wrap products to go retail.

Pearlman says another new look is starting to develop at the salon level: the Waffle Wave. He says it's too soon to tell how big it may get or how long it will last, but he describes it as a "nice look" which requires the use of curling rods and setting lotions to maintain.

"The waffle wave is not a curl," says Jones, "it's really waves, but they're all through the hair, not just at the ends. It's quite attractive, and it also requires the use of styling aids to lock in the hair."

Jones also sees another styling trend emerging. "What's old is new again," she says. "We're seeing a resurgence of the hair styles of the '60s, particularly beehives and hair combed down and flipped up on the ends.

"Many women use a wrap for the beehive look," she says. "They take and wrap their hair some more and then set it with styling lotions."

Curl activator gels, hot just a year and half ago, are very, very soft now. Curl products can be a tricky call. Humphreys says his best curl products from a year ago are getting killed now, but an item like Care Free Curl Gold is still going strong.

"The product formulation is excellent," he says, "and the packaging is more sophisticated than is usually the case."

Children's grooming care

Soft Sheen brought something new into ethnic last year when it launched a children's toiletry line called Baby Love. Our sources report Baby Love is picking up nicely, with reports ranging from "It's selling very well" to "It's building."

Some big chains like Eckerd, Albertson's, and others are in the process of deciding whether they will cross merchandise Baby Love in with the baby or bath care category.

'It sells well in ethnic and baby," says Pearlman, "but I think it will do the best in with baby.

"We feel good about Baby Love," says Humphreys, "More and more chains are picking it up. The suggested retail prices may be a little too high, but when the price point is reasonable, it does all right."

At Perry Drug in Michigan, buyer Scott Gorley says they will cross merchandise Baby Love products in their kids' section within ethnic neighborhood stores.

Monk says, "There is a kids' market out there, and it's something we've got to watch real close. I can't tell for sure where it's going, but there are a lot of kids' items coming out and it may be a trend."

Monk adds Harco will be merchandising Baby Love in the ethnic department, partly because they're not ready at this point to create a separate merchandising department for kids toiletries.

Skin/shaving sales up

Skin care is another broad growth area for ethnic. Ambi is the best, according to many of our sources, but Palmer's skin lotions and Carson's Dr. Fred Palmer lotions also sell well.

In Michigan, Standard Distributing's president, Dan Medow, says that cocoa butter sticks and creams are doing exceptionally well. He says cocoa butter products account for "a big piece" of skin care sales, and he says in his markets, the Woltra 100 percent Pure Cocoa Butter stick has done exceptionally well.

Ethnic Products: Six Month Analysis of Category Segment Sales

(Six months thru July 31, 1991 versus July 31, 1990)

Segment	% share of ethnic dollar product sales 1991	% share of ethnic dollar product sales 1990	Dollar Volume % chng vs. last year
Activators	18.6%	20.4%	–11%
Hair dress/ conditioners	19.5	18.3	5
Relaxer kits	17.8	17.9	– 2
Moisturizers	5.6	6.8	–19
Curl & wave kits	5.9	6.3	– 8
Styling products	5.4	5.2	2
Skin care	5.1	5.0	2
Comb out/oil sheen	2.9	3.6	–22
Wave products	3.7	3.4	7
Hair coloring	3.4	3.4	– 1
Cosmetics	4.8	3.1	54
Shaving products	3.5	3.0	15
Conditioners	1.7	1.8	– 6
Shampoos	1.5	1.5	1
Pressing products	0.4	0.4	– 8
Total ethnic category	100.0%	100.0%	– 2

Source: Towne-Oller & Associates.

Shaving is another good growth segment. Eichholz says razor bump products are doing very well, especially High Time Treatment from California-based High time Products.

Also very popular is American Safety Razor's Bump Fixer for men who find shaving painful. In the traditional shaving segment, Magic Shave Powder is still number one.

The shampoo market, led by Optimum Care and Creme of Nature, is still going strong and buyers say, they are expecting more launches in this segment soon.

New items look promising

Both Soft Sheen and Johnson are coming out with new relaxers, and buyers who have seen them are very positive.

"There are three, maybe four vendors who will be bringing out new things, and they will be spending big to get them going," says Humphreys.

Eichholz, who had seen the new Optimum Relaxer from Soft Sheen, thinks it will be really big. "It's the most successful salon no-lye relaxer of the '90s, so it's got the salon hype behind it, and it should be fantastic," he says.

"It's a significant entry because they've done an excellent job at retail with their Optimum Care maintenance line," says Medow, "and now, with the relaxer, they will also be building on their success with relaxers in the professional field."

On the West Coast, Chuck Lewman, president of Paul's Sundries, says that because Optimum Care has come on so strong, "The Optimum Relaxer should be a very nice extension, and I think very successful."

O'Brien says the Optimum Relaxer "could be one of the hottest items of the year."

He, like other distributors we talked to, also likes the new Gentle Treatment For Gray Hair that Johnson products is introducing. "We're doing great with hair color because the baby boomers are getting older," he says. "This could be very popular with consumers who are getting older."

"There are lots of women who haven't used relaxers yet, and many of them are probably older," said Eichholz.

"This may be the niche for them. It's formulated to be gentle and women who are older who worry about breakage can be safe trying this one. It's the first entry targeted directly to that market," says Medow , "so it's definitely an item to watch."

From his conversations with vendors participating in this summer's BBI and Bronner Brothers trade shows, Medow is predicting that both Revlon, with its Revlon Roux and Creme of Nature, and Alberto Culver, with TCB, will be very aggressive in the coming year with advertising and promotions. Both have new marketing programs under way that Medow describes as "very exciting."

Buying better raises Genovese's net income

MELVILLE, N.Y. — Genovese Drug Stores raised its net income 54.5 percent for the second quarter and 44.7 percent for the first half ended Aug. 16. Jerome Stengel, vp and treasurer, said the dramatic increases were largely attributable to controlling expenses and "buying better."

Net income for the quarter was $1.2 million, on sales of $100.5 million, compared with net income of $795,000 for the year-ago period, on sales of $96.9 million.

For the half, net income was $2.7 million, on sales of $233.5 million, versus net income of $1.9 million, on sales of $225.4 million, in the previous first half.

Giant is changing strategy

WASHINGTON — Giant Food, citing the recession's impact on consumer behavior here and in Baltimore as the main factor, reported a small gain in sales and a drop in net income for the second quarter and first half ended Aug. 11.

Second-quarter sales were $780.4 million, a 2.15 percent increase over the $764 million posted in the comparable period last year. Net income fell to $19.1 million from $25.8 million in last year's second-quarter.

For the first half, sales rose 2.02 percent, to $1.6 billion from $1.5 billion, and net income dropped to $48.3 million from $54.3 million.

In an effort to improve sales volume, Giant reduced everyday prices on 7,000 HBA and general merchandise items at the end of July. According to the company, these markdowns and the consequent lower gross margins, along with flat sales volume, led to the earnings decline for the quarter and six months.

Giant said it anticipates improved sales during the second half, as the new lower-price strategy takes hold with consumers.

Wholesalers report strong profit gains

INDIANAPOLIS — **Bindley Western Industries** posted record results for the second quarter and six months ended June 30.

Six-month earnings rose 21 percent, to $4.1 million, on sales of $1.1 billion, which rose 19 percent. In the comparable six months last year, earnings were $3.4 million, on sales of $916 million.

For the second quarter, sales rose 13 percent, to $546 million from $483 million, and earnings were $2.1 million, a 19 percent gain over the $1.8 million posted for the period last year.

Sales to accounts other than chain warehouses, at $115 million, grew to 21 percent of total sales in the second quarter, a 30 percent increase over the period last year. Direct-store delivery sales generate substantially higher margins than chain warehouse sales, noted chairman and ceo William E. Bindley. He added that this trend is expected to continue as Bindley's new full-line, full-service DCs in San Dimas, Calif., and Charlotte, N.C., which opened during the second quarter, become fully operational.

RICHMOND, Va. — **Owens & Minor** reported record second-quarter sales of $321.5 million, up 6.9 percent from $300.7 million in the comparable period last year, and a 38.7 percent increase in earnings, to $2.7 million from $2 million.

Sales for the six months ended June 30 were a record $634.5 million, a 6.9 percent gain over the $593.3 million reported for the like year-ago period.

Earnings for the six months were $5.1 million, up 45 percent from $3.5 million in the 1990 period.

Said G. Gilmer Minor III, president and ceo, "Our primary focus in 1991—to improve gross margin, lower SG&A expense as a percent of sales and more effectively manage our assets—is working. With an improving economy and a more positive employment picture, sales are expected to grow at an eight to 10 percent rate in the second half of the year."

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Vol. 13, No. 17 Sept. 30, 1991

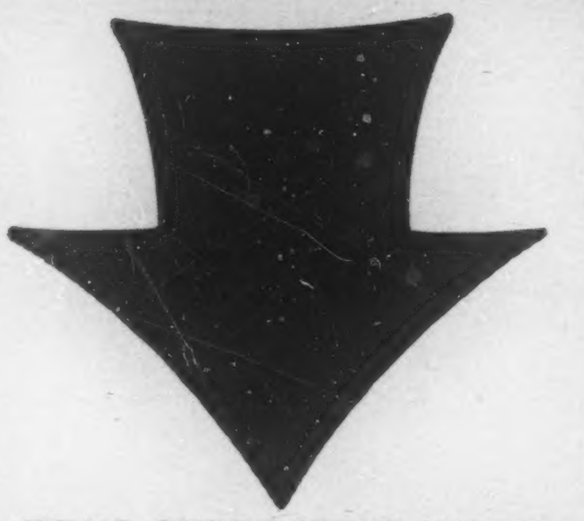
MARKET DIARY:

Largest Dollar Gainer	Merck Co.	$ 6.63
Largest Dollar Loser	Great Atlantic&Pacific Tea	$ − 5.63
Largest Percentage Gainer	Pharmaceutical Resources	37.50%
Largest Percentage Loser	Fay's Inc.	−21.24%

Advances	19
Declines	34
Unchanged	4
New highs	14
New lows	2

	Close 8/27/91	Close 9/17/91	Net Change	Percent Change
Drug Store News Index	4213.83	4192.39	−21.45	−0.51
Dow Jones Industrial Average	3026.16	3013.19	−12.97	−0.43
Standard & Poor's 500-Stock Index	393.06	385.50	− 7.56	−1.92
N.Y.S.E. Composite	215.26	211.54	− 3.72	−1.73
Value Line Index	243.89	239.48	− 4.41	−1.81

Source: Nordby International Inc., Boulder, Colo.



DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 8/27/91	Closing Price 9/17/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.88	4.88	0.00	0.00	19	0.00	0.00	7.25	4.50
OTC	Arbor Drugs	ARBR	18.75	19.75	1.00	5.33	23	0.12	0.61	21.25	8.88
OTC	Big B	BIGB	11.50	12.00	0.50	4.35	21	0.16	1.33	14.50	4.75
OTC	Drug Emporium	DEMP	6.88	6.75	−0.13	− 1.82	15	0.12	1.78	9.63	6.63
NYS	Fay's Inc.	FAY	14.13	11.13	−3.00	−21.24	16	0.20	1.80	15.75	7.25
ASE	Genovese Drug (H)	GDX.A	13.13	12.88	−0.25	− 1.90	15	0.24	1.86	13.88	5.00
NYS	Longs Drug Stores	LDG	38.38	37.50	−0.88	− 2.28	13	1.08	2.88	44.38	30.88
OTC	Medicine Shoppe	MSII	21.50	22.25	0.75	3.49	18	0.32	1.44	28.75	15.50
NYS	Perry Drug	PDS	8.00	7.75	−0.25	− 3.13	194	0.00	0.00	8.50	3.75
NYS	Rite Aid Corp.	RAD	23.50	23.00	−0.50	− 2.13	17	0.48	2.09	23.88	14.75
NYS	Walgreen Co.	WAG	33.75	32.88	−0.88	− 2.59	21	0.44	1.34	35.88	21.50
Wholesaler's transactions											
ASE	Bergen Brunswig (s)	BBC	21.80	22.25	0.45	2.06	15	0.40	1.80	26.19	17.09
OTC	Bindley Western Ind.	BIND	14.13	15.13	1.00	7.08	14	0.04	0.26	18.13	8.63
OTC	Cardinal Distribution	CDIC	44.25	46.00	1.75	3.95	33	0.08	0.17	46.25	19.00
OTC	Durr-Fillauer	DUFM	30.25	30.00	−0.25	− 0.83	20	0.28	0.93	34.75	16.00
NYS	McKesson Corp. (H)	MCK	35.63	37.13	1.50	4.21	15	1.60	4.31	38.75	26.88
ASE	Moore Medical	MMD	5.88	4.75	−1.13	−19.15	—	0.00	0.00	9.25	3.50
NYS	Owens & Minor	OMI	18.00	16.75	−1.25	− 6.94	21	0.20	1.19	18.75	7.25
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	54.50	53.75	−0.75	− 1.38	23	1.00	1.86	55.63	37.13
NYS	American Home Products (H)	AHP	63.88	66.88	3.00	4.70	17	2.28	3.41	66.88	44.00
ASE	Barr Laboratories (H)	BRL	21.00	27.00	6.00	28.57	47	0.00	0.00	28.00	5.50
NYS	Baxter International	BAX	35.63	34.38	−1.25	− 3.51	18	0.72	2.09	37.13	22.63
OTC	Block Drugs Co.	BLOCA	55.00	54.25	−0.75	− 1.36	18	0.80	1.47	57.50	29.63
ASE	Bolar Pharmaceutical (H)	BLR	5.50	6.63	1.13	20.45	—	0.00	0.00	8.50	1.88
NYS	Bristol-Myers Squibb (H)	BMY	87.50	86.13	−1.38	− 1.57	24	2.40	2.79	87.88	55.50
NYS	Carter-Wallace (H)	CAR	80.63	80.13	−0.50	− 0.62	23	1.00	1.25	83.88	44.88
ASE	Columbia Labs	COB	7.88	7.00	−0.88	−11.11	—	0.00	0.00	9.50	3.63
ASE	Forest Labs	FRX	37.50	32.13	−5.38	−14.33	33	0.00	0.00	43.63	19.25
ASE	Halsey Drug	HDG	5.13	5.06	−0.06	− 1.21	23	0.00	0.00	5.94	2.19
NYS	ICN Pharmaceutical	ICN	5.50	5.50	0.00	0.00	—	0.00	0.00	8.00	2.50
ASE	Lee Pharmaceutical	LPH	0.88	0.94	0.06	7.20	—	0.00	0.00	2.25	0.88
ASE	Leiner P. Nutrition	PLI	10.25	11.25	1.00	9.76	10	0.00	0.00	13.38	6.75
NYS	Lilly Eli Co.	LLY	83.38	81.13	−2.25	− 2.70	19	2.00	2.47	85.13	65.63
NYS	Marion Merrell Dow (L)	MKC	32.25	28.88	−3.38	−10.47	15	0.92	3.19	39.63	28.88
NYS	Merck Co. (H)	MRK	125.13	131.75	6.63	5.29	26	2.52	1.91	131.75	72.38
NYS	Mylan Labs (H)	MYL	26.75	29.63	2.88	10.75	32	0.20	0.68	31.63	15.50
NYS	Pfizer Inc. (H)	PFE	64.63	64.88	0.25	0.39	26	1.32	2.03	68.25	33.88
NYS	Pharmaceutical Resources	PRX	3.00	4.13	1.13	37.50	—	0.00	0.00	6.13	2.63
NYS	Rhone-Poulenc Rorer (H)	RPR	46.00	48.00	2.00	4.35	21	0.44	0.92	48.00	29.75
NYS	Schering Plough (H)	SGP	57.13	55.88	−1.25	− 2.19	20	1.32	2.36	58.63	40.38
NYS	Syntex Corp. (H)	SYN	46.50	41.50	−5.00	−10.75	22	0.92	2.22	47.88	24.63
OTC	Taro-Vit Industries	TAROF	3.63	3.63	0.00	0.00	121	0.00	0.00	4.25	2.13
NYS	Upjohn Co.	UPJ	43.88	44.38	0.50	1.14	17	1.16	2.61	49.25	33.00
NYS	Warner-Lambert	WLA	71.25	70.00	−1.25	− 1.75	18	1.76	2.51	82.25	56.50
OTC	Zenith Labs	ZENL	11.75	14.00	2.25	19.15	70	0.00	0.00	15.50	5.00
Other retailer transactions											
NYS	Albertson's	ABS	42.25	39.75	−2.50	− 5.92	21	0.56	1.41	51.38	28.00
NYS	American Stores	ASC	39.75	35.75	−4.00	−10.06	9	0.56	1.57	46.19	21.31
NYS	Giant Food	GFS.A	23.88	22.50	−1.38	− 5.76	12	0.64	2.84	31.25	21.13
NYS	Great Atlantic&Pacific Tea (L)	GAP	38.88	33.25	−5.63	−14.47	9	0.80	2.41	57.75	33.25
NYS	Kmart	KM	45.50	42.13	−3.38	− 7.42	11	1.76	4.18	49.50	23.38
NYS	Kroger	KR	17.88	15.63	−2.25	−12.59	12	0.00	0.00	24.50	10.63
NYS	Melville Corp.	MES	47.88	47.13	−0.75	− 1.57	14	1.44	3.06	55.25	32.75
OTC	Fred Meyer	MEYR	21.75	21.75	0.00	0.00	14	0.00	0.00	22.75	10.00
NYS	Penney, JC	JCP	50.75	48.13	−2.63	− 5.17	14	2.64	5.49	58.25	37.38
NYS	Safeway	SWY	18.50	16.38	−2.13	−11.49	15	0.00	0.00	21.63	10.25
NYS	Smith's Food & Drug	SFD	40.75	37.25	−3.50	− 8.59	24	0.36	0.97	43.75	24.75
NYS	Wal-Mart	WMT	50.13	49.75	−0.38	− 0.75	40	0.16	0.32	51.88	24.88

Note: Bergen Brunswig completed a 5-for-4 stock split.
Par Pharmaceutical changed its name to Pharmaceutical Resources.

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

DRUG STORE NEWS

VOL. 1 NO. 9 The Journal of Retail Pharmacy SEPTEMBER 30, 1991

for the PHARMACIST

NEWS FOCUS

•At least a half dozen manufacturers are expected to uncork nonprescription 1 percent hydrocortisone products in the wake of FDA's decision to switch the drug from Rx to OTC. The anti-itch medication has been available OTC in lower concentrations for more than a decade.

FDA also directed all hydrocortisone makers to adopt new label warnings advising patients to discontinue use and consult a physician if symptoms persist more than seven days.

•Volumes have been written about the role of pharmacists, but the Joint Commission of Pharmacy Practitioners appeared determined to boil away excess verbiage. JCPP drafted a "provisional mission statement for pharmacy practitioners" that states: "The mission of pharmacy practice is to help people make the best use of medication."

The group is seeking comments from pharmacists on this terse mission statement. (Write D.C. Huffman Jr., Ph.D., c/o American College of Apothecaries, 205 Dangerfield Rd., Alexandria, VA 22314.)

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OTCs wake up antifungal market 31

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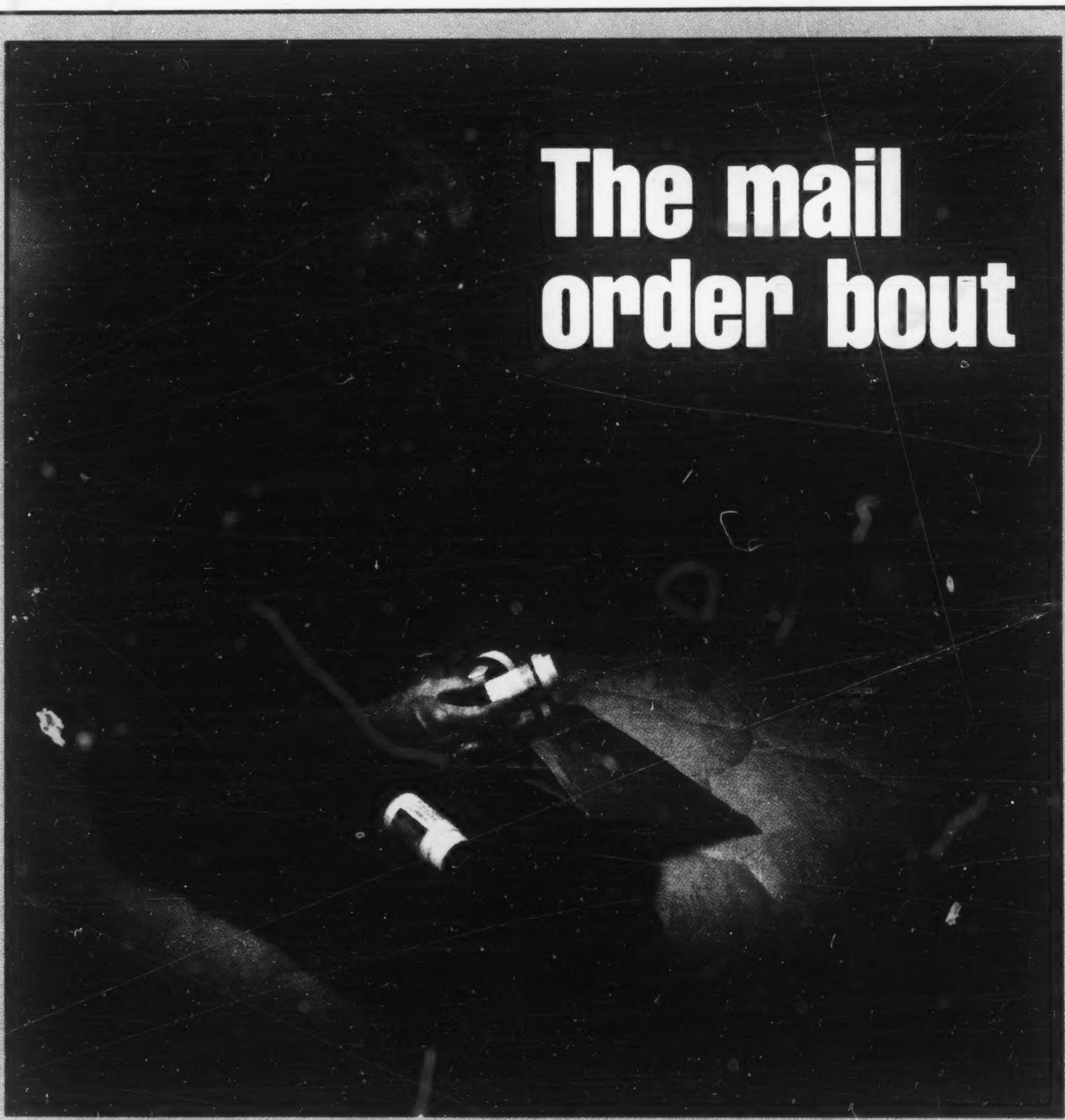

The mail order bout

Is the customer caught in middle?

Mail order pharmacy sales have grown from $100 million in 1981 to an estimated $3 billion in 1991. That 30-fold growth in a single decade has triggered the fears and animosity of community-based retail pharmacies, who feel this is business that should have been theirs. For the Pharmacist *examines the arguments, the studies supporting both sides, the prospects for continued growth, and the strategies needed by retailers to compete.* Beginning on pg. 23.

The bout continues over mail order pharmacy

By Dianne Tharp, R.Ph.

What are your feelings about mail order pharmacy?

Those three little words evoke strong emotions, con and pro, from people in pharmacy—with no middle ground apparent.

The most visible battle today pits NARD against the American Managed Care Pharmacy Association (AMCPA). NARD, the national association representing independent pharmacists, has made as its priority a campaign to discredit and dismantle organized mail service pharmacy. In its monthly journal, it devotes a page to "Mail Order Alert"—a series of items detailing victories, alleging preferential pricing and tax breaks, documenting misfills by mail, and offering strategies to compete.

Old adversaries

But this is not a new war. In 1983, NARD established a mail order problems clearinghouse with the Michigan Pharmacists Association to gather ammunition for its escalating battle. In NARD literature, mail order pharmacy and pharmacists are often referred to as "second-rate, unregulated, . . .dangerous" and a "public health threat."

The battle spills over to the legal front, too. The Insurance Competitive Pricing Act [H.R.9/S.430] is the latest legal attempt to loosen the foothold home-delivered prescription services have gained in society. H.R.9 hopes to repeal insurance companies' exemption from antitrust prosecution—which is how health insurance forces patients to use mail order, according to NARD. And NARD's latest complaint is with HCFA's draft regulations for OBRA '90, excusing mail order firms from the verbal counseling requirement.

All this seems to have pushed the mail order organization too far.

> *Insurance Competitive Pricing Act: hopes to repeal insurance companies' exemption from antitrust prosecution.*

In an August 16 letter to the Federal Trade Commission, AMCPA executive vp Delbert Konnor urged the FTC to declare NARD's campaign unlawful, and to take action to "prevent consumers from being misled by NARD's unfair and unsubstantiated claims."

NARD responded by firing off its own letter to the FTC asking for an investigation into AMCPA pricing procedures. Stay tuned for the next volley.

The AMCPA is a trade association comprising 11 mail order firms, with 11 pharmaceutical manufacturers (brand and generic) as associate members. The association was organized to defend and promote the efforts of mail service pharmacy. Established in 1975 as the National Mail Service Pharmacy Association, the organization changed its name four years later.

While some people suggest that the name change was an attempt to disguise its mission, AMCPA insists that the new name symbolizes a change in focus from the provision of a product to the provision of a service, which includes information management, prescription monitoring and other value-added services on the clients request. But all this service has a

Continued on page 26

The bout continues over mail order pharmacy

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price to Del Konnor, "Only if the program beneficiaries are willing to pay for service will they obtain it."

Konnor describes mail service as highly structured, centralized dispensing with cost containment and cost efficiency achieved through low overhead, generic dispensing, volume-buying power, the efficient use of personnel, and the application of mechanical and electronic technology to the dispensing process.

Cost benefit?

But does mail order really save money, and for whom? While third parties like Virginia Blue Cross and New York Medicaid are adding a new mail order benefit in the belief that it does, and Medco Containment Services now fills 450,000 prescriptions per week, some who have experience with mail order are dropping this provision in their health plans. According to *Marion's Managed Care Digest* study of 1990, 16 percent of HMO's had mail order in 1988; only 8 percent had it in 1989.

Other benefits managers see no savings with mail order pharmacy plans. Henry Blissenbach, vp of pharmacy programs for UHC's Diversified Pharmaceutical Services "has not found one [mail order company] including the largest, that would save us any money." In *Third Party Rx* newsletter, Richard Eckstrom, president of Cost Containment Corp., was quoted as saying that most of the savings in mail order benefit he has studied go to the employee. He said he stresses to his clients that mail order is less likely to be a cost saver for the employer.

Asked if mail order saves money for the benefits provider, Mitch Wasserman, vp of corporate development at Insurex, Inc., replied: "It depends on the plan design and the mail order vendor." Interestingly, Wasserman noted that employees tend to view mail order pharmacy service as an enhancement to their benefits which could enable employers to cut other benefits, whether or not mail order actually saves money.

Dr. Ken Kirk, Texas College of Pharmacy at Austin, analyzed his own university's proposed mail order plan and discovered that, in his opinion, "adequate data was not presented to show that Medco would save money over retail [pharmacies]."

And Beach Hall, recently retired director of health care operations for General Motors, told execs attending the NACDS Pharmaceutical Conference, that GM's seven-year-old mail order benefit is, "at best, a break-even operation." He added that the auto giant's mail order scripts are stable at 7 percent, and not a threat to well-run retail pharmacies active in patient interaction. Asked if he would use the mail order benefit himself, Hall replied that he will continue to have his prescriptions filled at his community (independent) pharmacy.

What about all the studies of mail order that are touted by proponents and opponents with such fervor and certitude? Kirking and Ascione in "An Analysis of Research on Mail Order Pharmacy Services" critiqued 10 studies comparing mail order with community pharmacy services. They explain the conflicting results of various studies is partly the result of variations in types of plans and populations studied. The bottom line of their analysis: "A definitive assessment of the economic issues related to mail order pharmacy services, along with patient satisfaction and other measures of quality, cannot be made based on existing research."

They conclude that objective, readily available, quality research comparing mail order to community pharmacy services, including quality of care issues, identifying drugs better suited for longer term dispensing and optimum days supply of medications, has yet to be done.

This need for more information is supported by Wasserman. He said that until recently, most studies were comparing mail order services to card programs.

Continued on page 29

Comparing mail-order pharmacies

Below is a sampling of a dozen best-selling drugs and six mail-order pharmacies plus a national drug store chain to see how their costs compare. All prices are for quantities of 100.

	Action-Mail Order 800-452-1976	AARP* 202-872-4700	Family Pharmaceuticals 800-922-3444	Medi-Mail 800-331-1458	National Pharmacies 202-347-8800	Pharmail 800-237-8927	Typical drug store
Cardizem, 60mg	$ 43.39	$ 47.95	$ 52.31	$ 49.95	$ 44.80	$ 48.99	$ 50.99
Diazepam, 5mg	11.99	9.45	12.75	6.95	7.95	4.99	10.99
Dyazide, 25/50mg	26.99	28.95	27.54	29.95	29.95	26.99	27.99
Feldene, 20mg	173.39	169.65	167.67	187.95	134.39	176.00	177.59
Furosemide, 40mg	6.69	5.95	5.37	4.95	6.48	4.99	6.99
Ibuprofen, 600mg	14.99	10.95	14.29	8.69	9.99	5.99	11.99
Mevacor, 20mg	163.39	154.95	174.35	158.95	185.35	155.00	158.29
Prozac, 20mg	140.39	147.85	157.82	156.95	168.82	152.00	159.19
Tenormin, 50mg	63.99	64.70	70.27	68.95	58.95	67.99	62.99
Valium, 5mg	38.39	47.25	47.29	47.50	36.98	46.99	46.99
Zantac, 150mg	119.99	120.45	120.15	130.95	106.98	125.00	120.29
Acetaminophen, 325mg	1.99	3.49/200	2.73	2.81	3.88	1.99	5.39
Postage & handling	0.50	1.00	1.50	1.48	0.50 Max.	†none	

***Available to members only.**
†$10 minimum purchase per order.

Source: Copyright 1991, by the Kiplinger Washington Editors, Inc. Reprinted with permission.

The bout continues over mail order pharmacy

> *Some opponents are gradually realizing that mail order may have an acceptable, limited role.*

Continued from page 26

Insurex also collects data on indemnity programs, and, since 75 percent of employers provide prescription drug benefits through major medical programs, this comparison must be investigated.

In spite of the apparent deficiencies in existing studies, organizations such as the AMA and the ASHP use them to support their positions. AMA says that mail order pharmacy is appropriate for patients with long-term chronic illnesses who have been adequately informed about their medicines. And ASHP says mail service pharmacies are "viable alternatives" for maintenance meds. One pharmacy benefits management company run by pharmacists, which asked not to be identified, offers mail order as an alternative, but focuses on walk-in pharmacies as the backbone of its business based on existing studies.

A new pilot program

Hopefully, a better basis for deciding about mail order will come from studies like the Tufts/PCS maintenance drug program.

Robert C. Johnson of PCS, co-sponsor of the study, cites the price emphasis of the past, and today's shift to cost-effective health care as the reason for the Tufts study, which begins this month. The Massachusetts HMO will use PCS' RECAP to dispense maintenance medicines to the chronically ill as an alternative to mail order. The major difference between this program and mail order are the initial dispensing of a trial quantity, with refills at maintenance quantities, so less waste is anticipated.

Also unique to this study: pharmacists will be reimbursed at a 25-percent fee increase for each additional 30 days supply dispensed. In effect, the pharmacist will receive more money for playing a role in compliance and managing patient care. As a result of this study, the hope is that payors will better understand the important role of pharmacist hands-on patient care, says Johnson.

Not only are traditional pharmaceutical suppliers paying attention to mail order, but also some pharmacy educators have expressed concerns regarding new educational opportunities. Today's students learn face-to-face communication, physical assessment, patient observation and clinical intervention.

Does the curriculum need to be modified to better prepare the pharmacy students who elect to practice in the mail order environment? A recent employment ad for National Rx Services touts a four- or five-day week, free nights and weekends, and part-time hours, if desired. From a scheduling perspective alone, mail service pharmacy can offer students an advantage over most chain outlets, and may be in the students' future employment plans.

So, given the great concern of all noted, controversies over study results and negative campaign efforts of organized pharmacy groups, how do we account for the continued growth of mail order? It has been suggested that aggressive marketing by mail order companies to corporate buyers is one of the reasons for the growth. If so, community pharmacies can compete if they establish the value of their pharmacy services with benefits managers. As farfetched as it might seem, even greater effectiveness would result if chains and independents market together to both benefits managers and customers.

The fact that community pharmacies can also compete on price is being demonstrated. Rx-1, for example, is a cooperative of 40 independents in 14 states that put together a pricing handbook to beat every AARP top 100 price, and have experienced an increase in business as a result.

What's in store?

With all these alternatives being offered to mail order, what is the future of mail order pharmacy service? Del Konnor predicts greater than $6 billion, or 15 percent of all prescriptions filled in 1995, will by provided by mail service pharmacies. John McHugh, president of Retired Persons Services, Inc., does not feel the industry has matured, but is more conservative in his growth prediction.

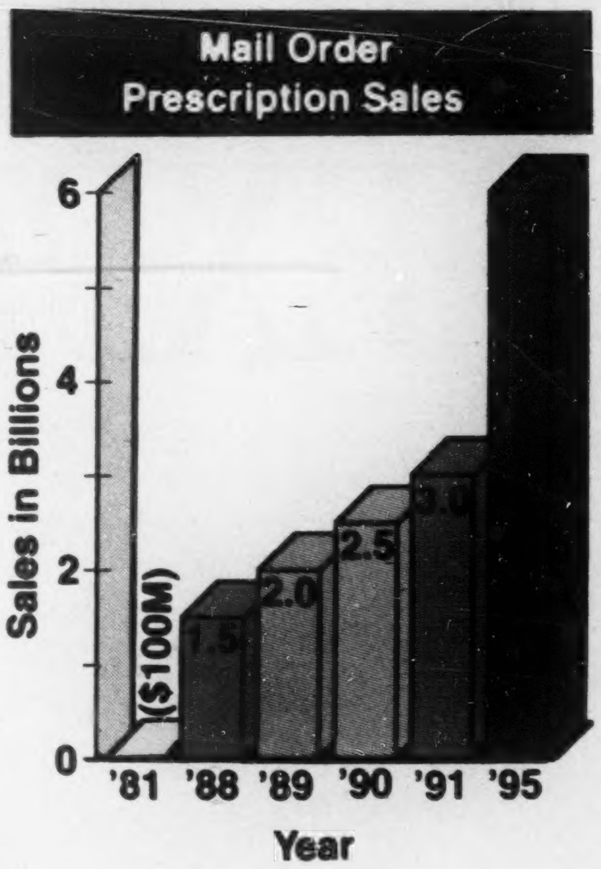
Konnor sees three key growth areas for mail order pharmacy:

- information management
- performance and accountability
- patient services

He believes mail order will play a major role in a national health care scheme with such value-added services as timely management data reports, prescriber and patient reports, a system to monitor compliance and drug interactions, and clinical services like patient education and compliance monitoring. Those who hope to compete should take note.

Since the first mail order prescription was shipped by the Veterans Administration in 1946, some opponents are gradually coming to realize that there may be an acceptable, limited role for the service in contemporary pharmacy practice.

Although a policy statement of the AMCPA equates Freedom-of-Choice legislation with economic protectionism, their vp has perhaps said it best: ". . . the consumer has been and will continue to be the best judge of the acceptance of home-delivered pharmacy services." ■



Source: AMCPA

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The newspaper of drug store retailing
Oct. 14, 1991

DRUG STORE NEWS®

Vol. 13 No. 18
A Lebhar-Friedman publication

Ex-Perry's Schwartz aims to recharge Smitty's

Schwartz

***SUMMARY:** Former Perry Drug Stores president David Schwartz moved to Smitty's Super Valu last month with a mandate and the corporate backing to drive the combo chain—which is no longer for sale—into the 21st Century. That means trimming headquarters' management, scouting new growth opportunities, bringing in experienced colleagues like David Green to flesh out new marketing strategies, and eventually developing a fresh new format.*

PHOENIX — New president and chief executive David Schwartz is working to put Smitty's Super Valu into fighting trim in preparation for an ambitious growth and modernization program. That effort follows a three-year period of uncertainty for the 30-year-old combo chain, in which its owners tried twice to sell the company and spent nine months trying to fill the top management void.

That search followed the resignation in 1990 of Ted Johnston as ceo. It led finally to the selection of Schwartz, a Phoenix native who resigned as president and chief oper-

See **Smitty's** *page 77*

LATE NEWS

- **TROY, Mich.—Arbor Drugs racked up an 18.6 percent increase in net income on an 18.9 percent net sales gain in the fiscal year ended July 31. Earnings grew to $13 million on sales of $405.9 million, with same-store sales up 9.3 percent. Fourth-quarter net rose 29.8 percent.**
- **BENTONVILLE, Ark.— Wal-Mart Stores has purchased Phillips Cos., a 20-store supermarket chain based in the discount giant's hometown.**
- **BURTON, Mich.—Phar-Mor will open its first store in the Flint, Mich. area this fall.**
- **PONTIAC, Mich.—Perry Drug Stores has promoted Andy Giancamilli to senior vp-store operations, and Stephen Lund to corporate vp-merchandising.**

FEATURES

U.S.S. Triple A

Triple A items rocket to top

DrSN's exclusive study reveals which HBA and GM items are grabbing the lion's share of the market. Page 59.

What's hot & why in sun, skin, hair

Drug store buyers reveal what's selling hot and why in the sun, skin and hair care categories. Page 29.

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Revco creditors mull Eckerd buyout proposal

By James Frederick

CLEARWATER, Fla. — Revco's creditors are looking hard at a new, sweetened buyout proposal for the company filed late last month by Jack Eckerd Corp. If approved by creditors and U.S. Bankruptcy Court, Eckerd's takeover proposal would pull Revco out of Chapter 11 and merge both companies into a publicly traded powerhouse with $5.4 billion in combined sales and drug store operations in 18 states.

See Revco financial page 3 and Eckerd article, page 77

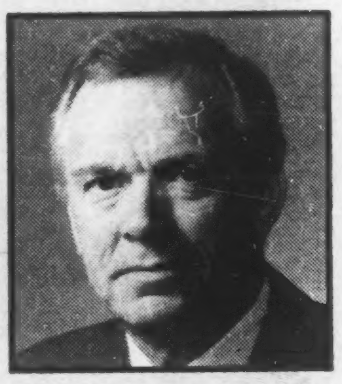
Eckerd filed its new plan Sept. 23 in U.S. Bankruptcy Court in Akron, Ohio, formalizing and sweetening a takeover proposal first floated by Eckerd chairman and ceo Stewart Turley in letters to Revco last spring. As such, it is one of three competing plans of reorganization for Revco now before the court.

Nevertheless, it appears to be getting a fair hearing from most of Revco's creditors.

The plan proposes that Eckerd assume all Revco's assets and its nearly $1.5 billion in debt obligations in exchange for nearly $1 billion in new debt securities, including secured notes and subordinated debentures. What makes the new

See **Revco** *page 77*

> **'We believe this plan provides superior value for Revco's creditors and allows the opportunity for a significant long-term value through synergy in the combination of Revco and Eckerd.'**
>
> **—Turley, chairman and ceo**



CDMA shows new signs of life

***SUMMARY:** Affiliated/Associated Drug Stores approved a new name and hosted the largest group of vendors in its history at its fall show in Orlando. Small and mid-sized chain buyers found special values in candy and snacks, seasonal items, and HBA.*

The fall merchandise show signaled a new direction and fresh vitality for CDMA, the recently renamed Affiliated/Associated group.

By David Vaczek

ORLANDO — The formerly-named Affiliated/Associated Drug Stores showed new competitive energy as record vendor attendance and a fast-paced agenda marked the fall buying show here.

Chain buyers at the 65th anniversary show praised what many termed a rejuvenation, as the board of directors unveiled a new name—the Chain Drug Marketing Association.

(At press time, CDMA learned that New York State won't allow the name "association" for a for-profit group. The board will be asked to approve a change, such as to "Associates" or "Associated" said CDMA president Jim Devine.)

See photos page 26

The Sept. 19 to 22 event was attended by 176 vendor companies, many new to the show, and offered special buying opportunities for the small retail

See **CDMA** *page 77*

Merchandising spotlight

Halloween a treat for chains

By Barbara White

Ghost, ghoul and witch novelty items will be flying off drug store shelves this Halloween season and driving the seasonal category this year.

"The Halloween category has grown 35 to 40 percent over the past five years," said Lon Resnick, merchandise manager for the New York-based Chain Drug Marketing Association. He estimated that stores have increased category space by 10 percent over the past few sea-

See **Halloween** *page 77*

NEWS IN BRIEF

Gerald Heller honored

NEW YORK — Gerald Heller will be honored with the Torch of Learning Award at a dinner at the Grand Hyatt on Dec. 5 by the Pharmacy and Mass Merchandising Divison of the American Friends of the Hebrew University. Heller, president of Tulsa, Okla.-based May's Drug Stores, is being recognized for his commitment to pharmacy research and education.

Heller is a member of the Oklahoma Pharmaceutical Association, is chairman of the University of Oklahoma College of Pharmacy's Dean's Advisory Committee and serves on the NACDS board of directors and executive committee.

Stone, cfo, named to Perry board

PONTIAC, Mich. — Perry Drug Stores senior vp and cfo Jerry Stone has taken a seat on Perry's board of directors, filling a vacancy left by the resignation of former president and chief operating officer David Schwartz.

Stone joined Perry in April, 1989 after a stint as vp-manufacturing for Talon, Inc., and 23 years at Arthur Andersen & Co.

Arbor exec tops Michigan Rx board

TROY, Mich. — John Enokian, vp-health services at Arbor Drugs, has been elected chairman of the Michigan Board of Pharmacy. The six-year board member will direct meetings, oversee pharmacy activities in the state and serve as liaison between the board and the National Association of Boards of Pharmacy (NABP).

At Arbor, Enokian handles third-party contract negotiations, represents the company in government affairs and handles other pharmacy-related issues. He began his pharmacy career at Arbor's first store in 1965.

Owens & Minor bid for Koley's

RICHMOND, Va. — Owens & Minor has signed an agreement to purchase all outstanding stock of Koley's Medical Supply, Inc. Koley's, based in Omaha, operates in Iowa, Nebraska, and parts of Kansas and Missouri. The agreement, subject to regulatory approval, marks a midwestern expansion for the Virginia-based wholesaler's operations.

Amfac changes name to Whitmire

SACRAMENTO, Calif. — MWC Inc., doing business as Amfac Health Care and Northwestern Drug Co., has changed its name to Whitmire Distribution Corp.

Whitmire's management team bought the drug distribution division of Amfac from the parent company in 1988 for $115 million and "deliberately kept the Amfac identity for three years," said Melburn G. Whitmire, president and ceo. Whitmire Distribution reported revenues of $1.7 billion for the year ended June 30.

McKesson: progress on waste issue

ATLANTA — McKesson Drug Co. has contracted with BFI Pharmaceutical Services on a new controlled substances return and waste disposal program, making it the first pharmaceutical and HBA wholesaler to establish such a system.

The contract, slated to begin this month, is for a pilot program at the wholesaler's distribution center in this city and is limited to the disposal of controlled pharmaceutical products. That contract may be expanded to include returns of all classes of prescription and other products.

BFI Pharmaceutical Services, a division of Browning-Ferris Industries, uses a computerized tracking and waste profiling system which assists manufacturers and wholesalers in crediting procedures for the processed products.

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Clever products, concepts at Exclusively HBA show

By Elizabeth Parks

NEW ORLEANS — From a product perspective, there was a lot to see and learn at this year's second annual Exclusively HBA Show here.

Over 340 suppliers on the floor showed their wares to the 541 retailer/wholesaler buyers in attendance. In comparison to the NACDS Marketplace show, Exclusively HBA skews more to toiletries and to the smaller or second tier cosmetic companies.

The biggest cosmetic companies there were Revlon/Almay, L'Oréal, and Max Factor; except for Factor, these companies have strong toiletry and cosmetic divisions.

Although many buyers at the show said they hoped to see more cosmetic companies on the floor next year, it still isn't clear what direction this show will take when it convenes in Denver next September.

One source for a company that attended said he was impressed with "the caliber" of the buyers who did attend.

There were no dramatic launches here, but there were hundreds of well thought out promotions for the first and second quarter of 1992 plus hundreds of new niche items and clever marketing concepts. Given all the excitement that's happening with kids' toiletries this year, the new body sculptured carded cosmetics from Ducair Tsumura stood out.

This newest addition to the Kid Care family features three Little Mermaid grooming accessories, three Muppet accessories, and two Turtle accessories—each with the shape of the characters sculptured right onto a small comb, hair brush or mirror.

A clever marketing concept from Jonee should help retailers spark sales of nail treatments in stores that have few service staffers. Jonee offers 19 treatment products addressing specific needs like nail biting or fungus.

But how can a consumer know which does which if there's no cosmetician to help her? Jonee's lets the consumer educate themselves by reading a little color-coded dot affixed to each treatment product. Each dot now specifies what each treatment can do.

Bath and skin care are two other hot categories now—with dozens of new products emerging, such as:

- Softsoap unveiling a new three-SKU line of facial care water rinsable, liquid cleansers. There are three formulas with conditioning as well as cleansing benefits;
- Fa is rapidly gaining distribution for its European Luxury bath line, and they've got some new bonus packs to stimulate trial and develop brand loyalty. For Back-to-School promotions, Fa offers two soaps free with each purchase of a shower gel;
- Masada H&B Corporation was introducing something unusual: Mineral Bath Salts in three formulas and four sizes that are 100 percent natural, made of mineral salts imported exclusively from the Dead Sea.
- Cosmepak, Sassaby and Caboodles each had attractive new accessories for bath and cosmetic use. These companies are all launching programs to help preserve the environment.

In cosmetics, Almay had a number of new items on display including its new matte makeups, new waterproof mascara, new Problem Solution skin care line formulated for special skin care needs, new all day protection Sport Scent deodorant, and AM/PM Eyes, as an intensive eye care treatment line.

Bonne Bell was showing its Roll On Lip Shiners, Lip Smackers trio, Blushing Gel face brightener, and Soft Color Cream Powder Blush.

CCA Industries has a new Oriental Pearl Moisture Rich Potion Face Cream that contains "authentic" crushed Oriental pearls, its latest promotion for Sudden Change skin treatment and Plus + White One Step Teeth Whitener.

Del Labs was showing its new Sally Hansen Mint Nail Polish Removers in three fragrance formulas as well as its new Frizz Tamer Hair Serum.

Revlon had a new Outrageous Lipstick to talk about as well as its newest fragrance, Downtown Girl.

Lady In Red Cosmetics was introducing two new items: a 3-ounce body spray that will retail for $3.50 and a half-ounce eau de parfum spray that will retail everyday for $4.95. It was also shipping a new promotional gift set featuring a 1-ounce body lotion free with the purchase of a 1.7-ounce Lady in Red perfume.

Delagar was showing off several spring promotions for Mystic Impressions, including free on-pack of a 2-ounce purse spray for next Easter, and free 2.5-ounce body spray for Back-To-School.

Florida lawsuit over risqué photo has drug chains weighing exposure

TAMPA — A lawsuit currently pending against Eckerd and some former employees—which alleges that a staffer duplicated a partially nude photo of a customer without authorization—may prompt drug chains to reevaluate their photofinishing policies.

The saga began when Wendy Ellington's friend snapped a picture of her partially nude, then sent the roll of film to Eckerd to be developed. Matthew Powell, her attorney, said Ellington saw the photo, burned it and the negative, and forgot all about it—at least until the photo allegedly turned up at a party three years later to haunt Ellington—and Eckerd.

"The employee had made a duplicate of the photo and put it in an album with 297 other photos he had copied," claims Powell. That album is now in the hands of Vivian May, an attorney drafted by the court to represent others in a class action suit whose pictures are in the book.

Ben Will, the attorney for Eckerd, said: "I can't say the employees did make duplicates of photos; in fact they deny it. But if they did, it was against Eckerd policy which forbids duplicating photos. This was an action of the employees acting as individuals, not as employees of Eckerd." He also said media attention has made too much of the nudity in the photo.

When pictures may be pornographic, "we turn them over to the authorities so they can set standards on what's acceptable and what's not," Gene Ormond, Eckerd's director of public relations, told *Drug Store News*.

"The issue is employee theft," he stressed. "Lets say someone took a picture of a rock star at a concert and brought it in to be developed. If an employee copied it and blew it up to poster size, that's theft. Our policy clearly prohibits employees from copying any customer photos. If it had come to our attention that the employees had been doing that (when employed by Eckerd three or four years ago), they would have been fired."

Other chain approaches

Pay Less, based in Oregon, follows state laws when categorizing photos as nude or pornographic and is looking into a new policy that would balance peoples' rights with the law, said merchandiser Leonard Myers.

And at Snyder's Drug Stores in Minnesota, employees cannot open sealed photo packages. Said Snyder's Dave Leonard, assistant vp-store operations: "That's an invasion of privacy and the employee would be terminated if caught doing so."

But Snyder adds that no matter how stringent policies are, much of the day-to-day photo business (and drug retailing business in general) is left to employees' good judgment.

AADS has a new name, new lease on life

IN THE MARKET
BRUCE BUCKLEY

The name doesn't soar. It doesn't light any rockets. But it works: Affiliated/Associated Drug Stores, the organization with the glaring redundancy in its title and the once tenuous lease on life, has become the Chain Drug Marketing Association. The new name works because it fits. It describes exactly what the association is about.

Actually a slight alteration is likely to occur soon. New York State won't permit a "for-profit" organization like CDMA to use the word association in its title, so the Chain Drug Marketing Association may soon become Chain Drug Marketing Associates. That may actually be a slight improvement, since it has more of a "partners" feel to it. On the other hand, it may sound too much like a consulting firm.

Whatever. CDMA is poised to fly. The past year has been a watershed for the 65-year-old New York buying organization. Many industry people were writing its epitaph 13 or 14 months ago, when Jim Devine was hired to strap himself into the freefalling association and pray that his experience, exuberance and drive would act as a kind of personal bungee cord to snap things back.

Even those most committed to preserving the organization admit to having more than a few doubts about the long-term prospects for survival. NACDS had put its Marketplace into orbit as the premier drug store merchandise show. And a lot of key vendors were grousing that there were already too many shows to attend. If any shows seemed expendable, industry people said, they were the far smaller Affiliated/Associated events.

Undaunted, Jim Devine and a group of committed members warmed up earlier this year with the successful mid-April merchandise show in Dallas. This past month CDMA seemed solidly back on track with its show in Atlanta (as our coverage in this issue details). Vendor attendance was at an all-time high, and retail members came to do business. Out of the 75 members, 61 sent representatives to work the booths and exchange ideas. More orders were written than ever before.

The New York-based buying group has always prided itself on being not just the impresario of twice yearly shows, but a year-round marketing resource for its members. In recent years, however, the organization's energies seemed drained, its efforts a bit shop-worn. The challenge was to reignite the fire, especially among those smaller regional and local chains for whom the efforts of a dedicated marketing staff could mean so much.

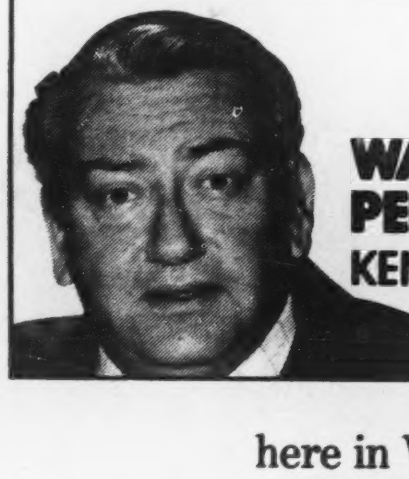
Devine and some hard-working members spent the better part of a year digging deep into the structure of the organization and setting a course to fulfill the needs of members and suppliers. In talking about those efforts, members like Harco's Jim Harrison III, the new chairman of the board, use words like "focused," "energy" and "exciting." And they credit not only Devine, but all of the members and associates who worked so hard to chart the new course.

Devine was ebullient in the aftermath of the recent show. Characteristically he credited others. The support from the members, he said, was "fantastic."

True, it was a team effort. But it's doubtful that it could have been done without Devine. His long experience in the industry and friendships bought the association the time to allow changes to take place. His enthusiasm and flexibility fueled the excitement of members and staff.

Devine himself admits to having a few uncertainties at the start of the adventure some 13 months ago. "But I just renewed my lease in Guttenberg, N.J.," he told me with that great chortling laugh of his. "And I had a comfortable feeling about it."

What rights have retailers in labor disputes?



WASHINGTON PERSPECTIVE
KEN RANKIN

Drug store employees, like any other workers in this country, have a right to join labor unions. Labor unions, in turn, have a right to organize workers and picket non-union establishments.

But what about the rights of employers? Do drug stores and other businesses have the right to seek protection from harassment by union activists?

Suppose labor organizers target your store? What if union recruiters set up picket lines in your parking lot, harass employees on their way to work and urge your customers to shop elsewhere? Do the labor laws protect retailers from such tactics?

That's a question that may soon be answered here in Washington by the U.S. Supreme Court.

The case at issue involves the plight of retail tenants at the Lechmere Shopping Plaza—a 14-store strip center in Newington, Conn.—who were literally overrun by union organizers a few years ago.

Despite protests from the retailers, non-employee activists from the United Food and Commercial Workers picketed the plaza, distributed leaflets to customers in the center's parking lot, entered stores and buttonholed employees as part of their recruiting campaign.

When Lechmere sought a state court order to prevent this trespassing, the union responded by filing an unfair labor practice complaint with the National Labor Relations Board.

Those federal charges effectively checkmated the Connecticut retailers who were told that once unfair labor practice charges are filed with NLRB in Washington, the state courts lose jurisdiction over the matter.

A similar situation erupted in West Virginia where the state's Supreme Court of Appeals also held that retailers may not secure protection against union trespassers once a federal NLRB complaint is filed.

Both of those union trespass cases are now before the U.S. Supreme Court and retail industry lawyers are keeping close tabs on developments there.

But for my money, there's another even more disturbing union picketing case in the pipeline—one that has antitrust as well as economic implications for drug stores.

This one involves an unusual provision in a contract negotiated between unionized store workers and retailers in Ohio.

Under the new contract, the Ohio retailers may reduce wages to their workers if competing merchants continue to pay lower wage rates. But here's the kicker: the union can avoid those wage cuts by picketing the lower paying, non-union retailers!

Critics of this agreement contend that it represents an unholy alliance between retailers and labor unions—an anticompetitive conspiracy to punish competing non-union retailers.

Again, the U.S. Supreme Court will ultimately have to call the shot.

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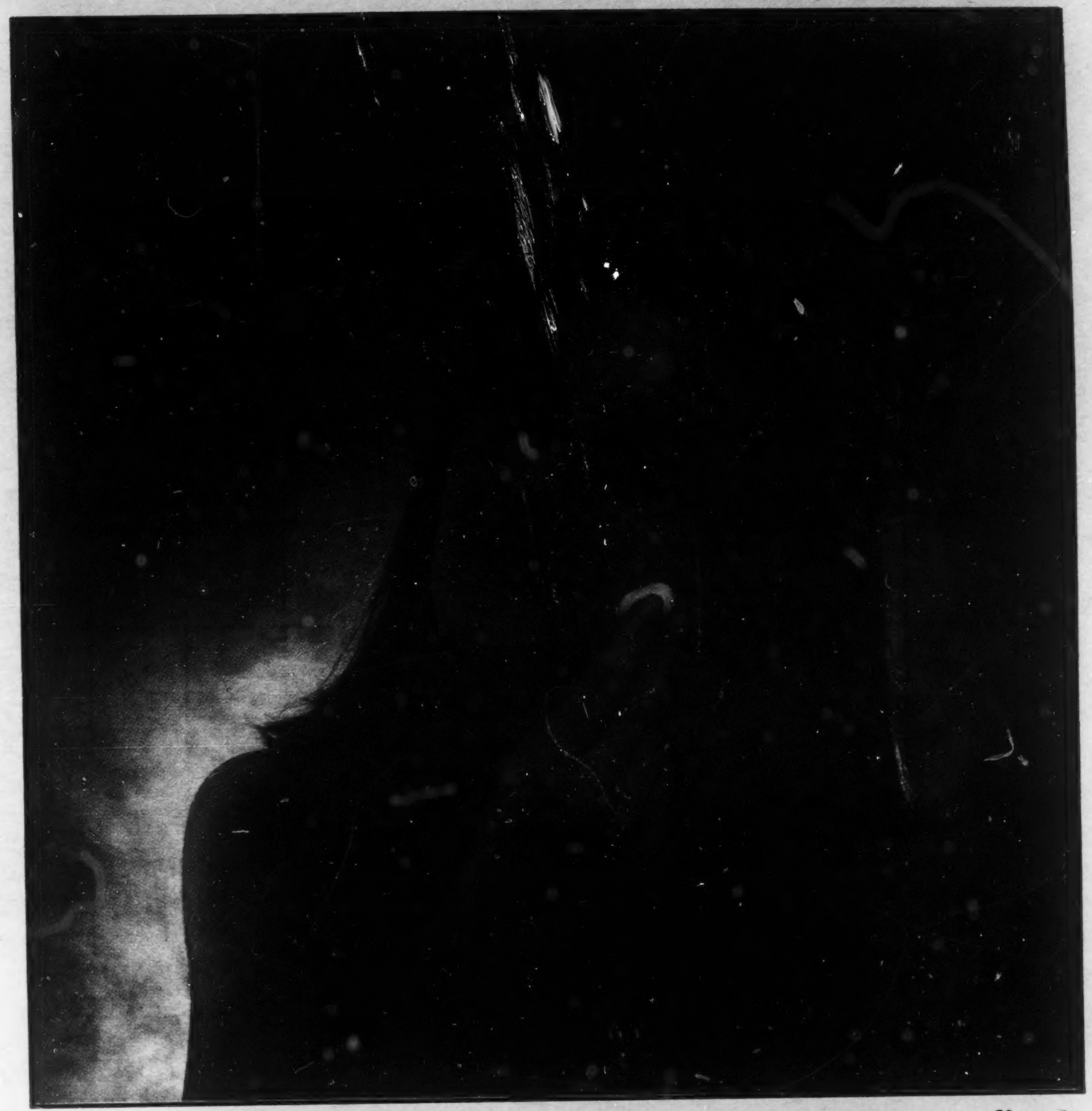
Too many SKUs in skin care lines. . .



Drug chains report that customers are "trading down" from department store lines to premium mass lines like Plénitude, Almay, Neutrogena and Oil of Olay.

Skin care, while still chalking up solid growth in many chain drug stores, has added a wrinkle in recent months. Some retailers sense the category's stellar growth days may be over, as they take note of a gradual slowdown in the rate of the sales advance.

Some buyers are saying that the extensions of major lines like Plénitude and Oil of Olay have been good for the category, creating incremental sales and new marketing opportunities.

But in some chains, buyers are reporting that the line extension phenomenon has gone "too far" and that some brands are simply cannibalizing their own sales. A few buyers told us that so many new SKUs have been added to lines like Olay and Plénitude that their turns are declining, and while dollars may be up because of price points, unit sales in their stores are flat or down.

. . .soften pace of volume climbs

Drug Emporium

Skin care sales are rising dramatically at Drug Emporium, causing this deep discounter to find more space for the category by shrinking space for deodorants, says buyer Dale Rogers, adding that "we do so many deodorant sales off pallets, we don't need as much space."

Higher end skin care brands and therapeutic hand and body lotions are growing the strongest here, says Rogers. He notes good movement in Plénitude, Neutrogena and Oil of Olay, and in therapeutic HBA lines like Lubriderm, Nivea, Keri and Curél.

Drug Emporium also has a new recommended planogram for skin care that it is currently rolling out. SKUs in the set are organized by price point, starting with such higher end lines as Plénitude and Neutrogena, flowing into mid-priced lines and then to the lower price brands such as Vaseline Intensive Care.

In Drug Emporium, Olay's cleansing line is selling well as is its new UV moisturizer. Plénitude moves well here with stores selling through a 72-piece display of the Eye Defense Cream—at $7.99 each—in about a week, Rogers says.

Kinney Drug

At Kinney Drug in Gouverneur, N.Y., buyer Robert Burtis says the Vaseline Intensive Care lotions have moved well this season, now that he has identified the right mix to stock.

His assessment of recent months: Olay is flat. Plénitude is selling well in dollars, but units aren't up much. Lubriderm isn't as strong as it has been. Curél is just OK. Basis and Nivea are slow.

Burtis adds, however, that Eucerin and Jergens lotions are selling well, and Neutrogena sales are "great." He feels that Neutrogena "has a magic touch. They make a really great product at a quality price. Some of my brands are pricing themselves out of competition, but they can get away with higher prices."

He further adds that Neutrogena moisturizers with sun protection are selling very well, but the brand's sun protectant lotion is one of its few SKUs that are slow.

K&B

At Louisiana's K&B, Plénitude continues to sell well, and its newest line extension of cleansers is off to a fast start. Considering that Plénitude's cleansers are premium priced and that K&B stores operate in many depressed markets, the movement surprised HBA buyer Chuck Gautreaux.

"They're more expensive but they're moving very well. It could be because of all the money they're spending on advertising," he said.

Plénitude's Eye Defense is also moving fast, and Olay's moisturizers are as strong as they always were. The Olay cleansers are also selling, but not as fast as Plénitude.

Skin care dollar sales trends

Segment	1990 2nd quarter $ sales	1991 2nd quarter $ sales	% chng.
Face creams/lotions	$ 65.8	$ 67.7	3%
Sun care	71.7	58.3	(19)
Hand lotions	42.2	43.7	4
Acne preps	24.5	24.5	1*
Specialty soaps	10.8	9.6	(12)
Hand creams	6.9	6.8	NA
Baby lotions	2.9	2.8	(5)
Total skin care	$224.8	$213.4	(5)

*Due to rounding.

Source: Towne-Oller Drug Store Audit.

Continued on page 33

Buyers report solid gains in skin care

Continued from page 29

Jergens Advanced Lotion therapy was just getting into K&B stores at press time, but Gautreaux thought the line would succeed, especially if Jergens spends the $30 million it said it would spend to support the relaunch.

Gautreaux's initial reaction to S.C. Johnson's launch of a combination moisturizer/insect repellent called Skintastic was ambivalence. On one hand, he feels that men, who tend to be outdoors more than women, won't buy it; on the other hand, he thought women might buy it for themselves andtheir children when they venture out into the woods on vacation or even just in the backyard or playground.

Bill's Drug

Buyer Sharon Schrage reports her customers are continuing to trade down from expensive department store lines while they trade up from traditional mass lines like Oil of Olay. The result: healthy skin care results in 1991.

Benefiting most from this phenomenon is L'Oréal's Plénitude, which Schrage says is the only line to get dual placement in Bill's stores—merchandised in HBA and in cosmetics.

"We've done well with Plénitude because our cosmeticians are actually selling customers on the benefits of the line. Our HBA skin care set is adjacent to cosmetics, and when our cosmeticians see someone wandering down that aisle, they'll talk to the customer and try to get her to trade up to Plénitude," she says.

A few of Bill's stores also carry high end lines like Borghese, Arden and Ultima, but even though these lines also do well because of the cosmetician's assistance, some customers are trading down to Plénitude.

"Once they know that L'Oréal is Lancôme in Europe, they're willing to try Plénitude," Schrage says.

Other solid performers she notes: Almay, Max Factor and Neutrogena.

Crown Drug

In North Carolina, Toni Markham, who buys franchised cosmetics for Crown Drug, says they're still seeing strong growth in skin.

Plénitude's Eye Defense has performed exceptionally well, and the new cleansers, just coming into stores at press time, are also expected to sell.

Markham thinks that her customers are trading up to Plénitude from lower priced lines, and trading down to it from higher priced department store lines. "Customers who are spending $35 in department stores for skin care are willing to spend $8 in our stores to try Plénitude," she said.

On her standout list: Olay's UV moisturizers and Neutrogena's moisturizers with sun screens, cleansing bars and eye creams.

In Crown's higher volume stores, a new skin care planogram organized by price points is being tested. The set is near cosmetics, but it doesn't include such cosmetic lines as Almay, Clarion, Moondrops or Max Factor.

Share of skin care sales
(drug versus food stores)

	1990 2nd quarter		1991 2nd quarter		Dollar sales chng.
	$ sales	% share	$ sales	% share	
Drug	$224.8	47%	$213.4	52%	(5%)
Food	200.2	53	195.7	48	(2)

Source: Towne-Oller Drug Store Audit.

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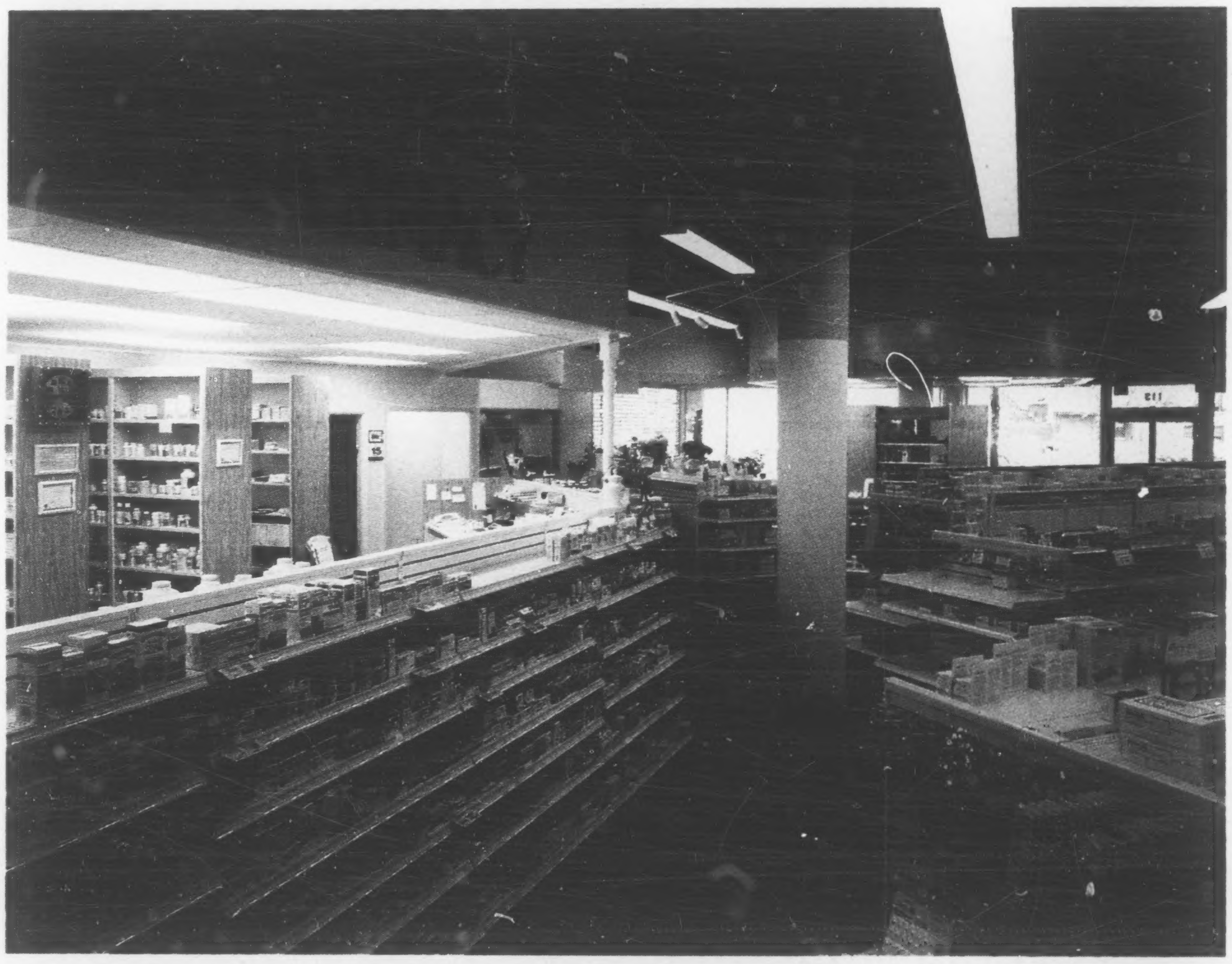

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Sun care brings bright sales. . .

SUMMARY: The summer has been kind to many sun care buyers this year. Although in some markets like Louisiana heavy rains dampened sales, many buyers reported an excellent selling season.

In the New York market, Marty Millman, who buys sun care for Austin Drug, says that "the weather made it a great season to sell sun care. I normally bring in five or six lines for the season. This year, I got in three, but all my initial shipments sold out."

Hot spots: tan accelerators and high SPF items. "Everybody is very conscious of the sun. These days I characterize all my SKUs away from the low SPFs and oils in favor of the high SPFs," he said. He has a lot of company across the country with similar thoughts.

Health & Beauty

Buyers appreciate that many vendors streamlined their sun care lines, improving turns and helping sell-throughs.

. . .thanks, in part, to line extensions

Drug Emporium

Dale Rogers, buyer at the deep discounter, thinks sun care benefited from good weather, and that manufacturers helped improve the year by culling slow-moving items from their lines. He cited Johnson & Johnson's Sundown, and Coppertone, Bain de Soléil and Hawaiian Tropic.

His best sellers this season were Coppertone's two bonus packs: the 10-ounce Coppertone SPF 4 Lotion with two ounces free and the 8-ounce Coppertone SPF 15 shrink-wrapped with a free 4-ounce after-tan.

The new Sports Lotions from Coppertone and Bain de Soléil did well this year, as did sunless tanning products, which Drug Emporium displayed in January and February to capture early sales. Almay Sun Care also sold well, Rogers said, thanks to aggressive marketing.

Other hot shots: Banana Boat, now the chain's third or fourth best selling sun care line, depending on market, and Protecteur Gentile from Bain de Soléil. Colored zinc brands were also popular.

For next season, Rogers is looking at the new Vuarnet sun care line. He's investigating the possibility of merchandising Vuarnet together with some T-shirts.

"The sun care line has a good looking package, and it's a natural tie-in with soft goods. Currently, we're not doing anything with soft goods, but we are relaying out sun care, and this would be a good opportunity to try out some related merchandising," Rogers said. "It would make the department more of a destination for our shoppers, and it should certainly attract the teen market. We might do it with Panama Jack too," he adds.

Over the past six months, Drug Emporium has been creating seasonal sections in their stores for sun, Christmas, Halloween and Valentine's Day. As the deep discounter realigns and opens stores, it's taking the back wall beginning at the end of Aisle One and devoting 28 to 32 feet to seasonal.

Bill's Drug

Buyer Liz Spera was evaluating category sellthroughs at press time. With spotty weather in her west coast markets, sales may not be up significantly. But the chain bought conservatively, so sellthroughs may have been OK.

Spera said J&J did some "guerilla marketing" to support its Piz Buin line, giving away free samples and advertising often, so she's interested in seeing what develops.

Some negative stories in the press about high level SPFs may mean that her best sellers this year would be moderate SPFs of 15 and 20.

Meanwhile, UV sun and skin care items are getting off to a slow start in her markets, which Spera thinks may indicate "consumers will need some educating before they fully catch on."

Tan Magnifiers were hot in Bill's stores last year, but this year Spera says she hasn't heard that many people asking for them.

Over the years, Banana Boat has grown steadily at Bill's and, this year,

Continued on page 41

[illegible]

Segment	1990 2nd quarter $ sales	1991 2nd quarter $ sales	% chng.
Self tanning	$ 7.9	$ 8.4	6%
After sun	1.0	1.2	6*
Suntan lotions SPF 0 to 4	25.0	17.6	(29)
Suntan lotions SPF 5 plus	37.5	31.1	(17)
Sun care	71.6	58.2	(19)

*Due to rounding.
Source: Towne-Oller Drug Store Audit.

Sun care brings bright sales

Continued from page 35

the brand introduced a service program that Spera, as well as store managers, loved. The company introduced a van delivery system, and routinely visited each store, taking back what wasn't selling and refilling orders as product sold.

Kinney Drug

Buyer Robert Burtis reports a "very good season," despite heavy rains on the Fourth of July.

Tan Magnifiers, Sport Lotions and Baby Sunblocks, especially SPF 45, did well in Kinney stores, Curtis said.

For the first time, colored zinc sunblocks sold well, he said. He was pleasantly surprised at his sales of sun sticks for lips.

He had excellent sell-throughs on the Vaseline Intensive Care sun care lines, Bain de Soléil, especially the self tanners, Hawaiian Tropic, Sundown and Coppertone.

Douglas-Maxi Drug

Buyer Steve Dubin says sun care sales at the Rhode Island chain soared over last year. Among the hottest sellers: sports lotions and sunless tanning lotions from Coppertone and Bain de Soléil, tan magnifiers, and Almay sun care items.

This season, Dubin bought a line of budget sun products under the brand name No Ad. "They really did well for us," he said. "We ran it on ad and it sold and, without advertising, it sold. With the economy as it is, people are looking for value. For $2.99, you can do a whole beach with this line."

Dubin got good turns from the Banana Boat counterpack of new skin lotions. He says there isn't much advertising for the line, but the clear packaging makes the colored formulas stand out.

K&B

In Louisiana, K&B suffered heavy rains this past May, which hurt their early sun care sales. Buyer Chuck Gautreaux says the early rains cost K&B "a number of missed selling opportunities," so he is dealing with some returns this season.

He had a good year, however, with Coppertone, Bain de Soléil and Bull Frog. "Coppertone is still our No. 1 line. We did especially well with the brand's Sport Lotions, Sunless Tanning and Tanning Magnifiers. Bain de Soléil also did very well for us, particularly the sport lotions, sunless tanners and SPF 2 and 4 lotions," he said.

ALMAY
FRAGRANCE FREE
SUNCARE

Promotions, off shelf displays, and instant redemption coupons helped sun care sales this year.

Crown Drug

In North Carolina, cosmetic buyer Toni Markham and sun care buyer William Ammonds teamed up to create a Save Your Skin pre-summer endcap designed to stimulate sales of all types of skin-related products—from sun protectants to body lotions and bath additives.

Markham explains: "We start it at Easter. We take an endcap close to skin, and we mix suntan and sun protection products in with skin and bath items. We feature premium brands like Neutrogena, Nivea, Keri and Coppertone."

Markham says the promotion has worked "very well" for Crown.

ATTENTION: CHAIN DRUG EXECUTIVES

WE'RE 50 PLUS AND HAVE MONEY TO SPEND IN YOUR STORES!

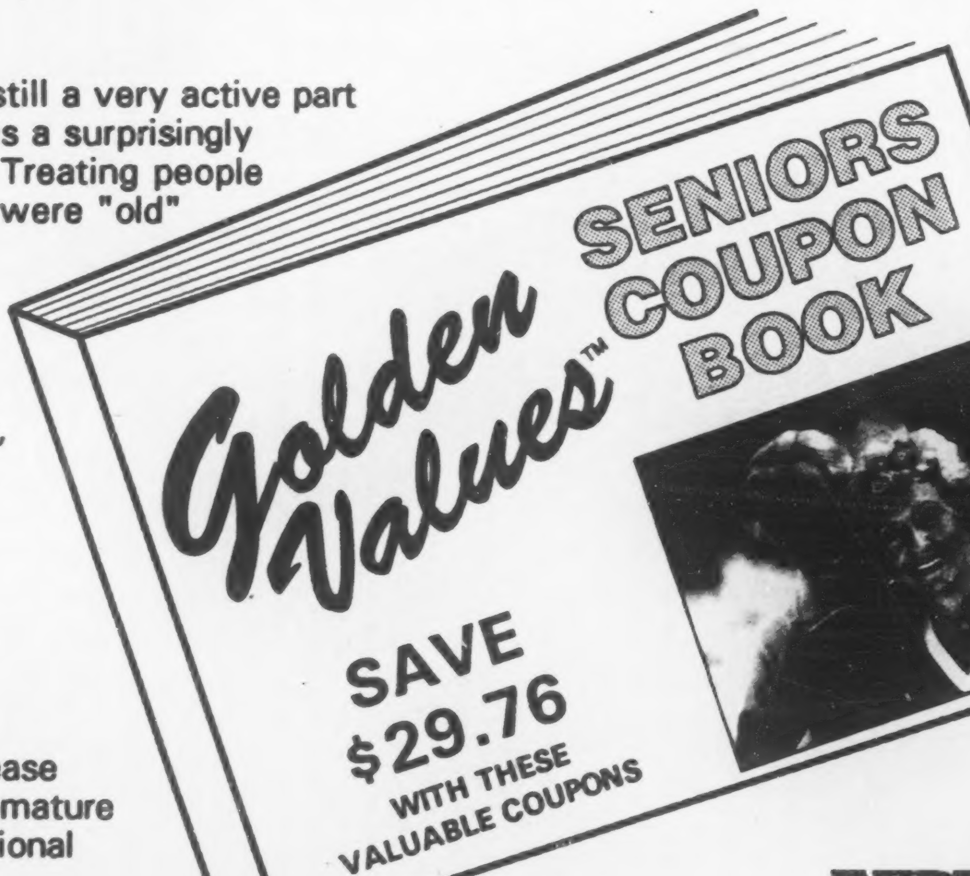
ORIGINAL BABY BOOMERS TURN "FIFTYSOMETHING"

AMERICA IS GRAYING . . and the 90's are producing a "mature market," "the over 50's," or "SENIORS" as they are commonly called. This is now the fastest growing market segment and is accounting for the type of significant spending . . . . that can no longer be ignored.

The 50 PLUS age group is still a very active part of the life-cycle and controls a surprisingly high discretionary income. Treating people in this age group as if they were "old" can be a fatal mistake.

Seniors are still actively interested in nutrition, health and beauty products, and will **spend monies in programs that are specifically directed at them!**

The airlines, hotels, cruise lines, restaurants, banks etc., are all seeking to increase their share of this lucrative mature market with special promotional offers.



SENIORS A GOLDEN OPPORTUNITY FOR DRUG STORES!

Today . . . the drug store is one of the more visited retail outlets and the pharmacist is regarded as one to be trusted. This presents a major opportunity to provide additional offers and benefits to "seniors" . . . A most loyal consumer group that purchases:

46.7% of ALL PRESCRIPTIONS
39.6% of ALL OTC MEDICINALS
26.9% of ALL H&BA PRODUCTS
26.2% of ALL CONSUMER PRODUCTS

Your "fair share" is right in front of you . . **when positive action is taken!**

MAJOR "TRAFFIC-BUILDING" CONTINUITY STORE PROGRAM.

THE GOLDEN VALUES SENIORS COUPON BOOK now offers you a tremendous promotional opportunity to have **"seniors"** come back to your store on a more frequent basis . . . than to just have their prescriptions filled . . . at the traditional 10% savings!

THE GOLDEN VALUES SENIORS COUPON BOOK PROGRAM is a very effective "in-store" traffic building continuity program that features "cents-off" coupons for "nationally advertised" products already on your shelves!

Additional benefits for you:

- increased sales & profits.
- quarterly event that the seniors look forward to.
- valuable consumer prizes are awarded every 90 days to stimulate activity.
- does not compete with any of your current coupon books or circulars.

THE GOLDEN VALUES SENIORS COUPON BOOK PROGRAM IS NOT CONSIDERED "CO-OP ADVERTISING."

EXPERIENCE WHEN IT COUNTS!

We're a new company . . . in name only!

During the past fifteen years, we have been actively involved in developing and representing similar type "seniors programs" . . . . for other organizations.

We have now put together the "best" of everything we've ever created into *THE GOLDEN VALUES SENIORS COUPON BOOK PROGRAM* . . . . **and formed a new company!**

This now provides you with a complete program that is geared **specifically for seniors . . . who can only use the** ***GOLDEN VALUES COUPONS*** **. . . . IN YOUR STORES!**

YOUR SATISFACTION IS OUR GUARANTEE FOR SUCCESS!

ACT TODAY . . . CALL TOLL FREE 1-800-443-6743 FOR IMPORTANT PROMOTIONAL INFORMATION.

ASSOCIATED PROMOTIONS INC.
1006 ARNOLD AVENUE • POINT PLEASANT, NJ 08742
908-295-8092 • FAX 908-295-1729

The healthcare professionals' **treatment of choice!**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Anti-frizz products add sizzle . . .

SUMMARY: Drug chain buyers report a steady 3 to 4 percent overall gain in hair care sales through the first nine months of 1991—a pace that's not as fast as smaller categories, such as skin and bath, but one that doesn't have them tugging at their scalps.

Segment	1990 2nd quarter $ sales	1991 2nd quarter $ sales	% chng.
Shampoos	$ 88.4	$ 81.9	(7%)
Hair color	73.2	75.3	3
Hair styling	43.4	44.0	1
Conditioners/rinses	46.0	43.6	(5)
Hair sprays	41.8	39.5	(5)
Men's hair preps	17.2	18.7	8
Permanents	11.7	10.8	(9)
Women's hair dressings	2.8	2.8	NA
Total hair care	$324.4	$316.6	(2)

Source: Towne-Oller Drug Store Audit.

	1990 2nd quarter		1991 2nd quarter		
	$ sales	% share	$ sales	% share	% chng.
Drug	$324.4	42%	$316.6	41%	(2%)
Food	442.4	58	447.9	59	1

Source: Towne-Oller Drug Store Audit.

. . . but hair care still driven in style

Styling aids and professional hair care continue to drive the business, although gel, mousse and spritz sales are leveling off after some explosive growth years.

This year, anti-frizz products are becoming a hot new segment. Such buyers as K&B's Chuck Gautreaux, Drug Emporium's Dale Rogers, Bill's Sharon Schrage and Douglas's Steve Dubin report lots of interest in brands like Frizz-Ease and the new L'Oréal Anti-Frizz.

Two-in-one shampoo/conditioners are also continuing to sell well, as are new curling gel products, particularly those in the L'Oréal Studio Line.

And price-value lines are doing well. Many buyers said their 99-cent offerings of White Rain, Suave and Awesome are moving fast.

Drug Emporium

Drug Emporium is currently testing hair care merchandising by brand family rather than category. The test, under way for a year already, is in 25 stores in various markets, said buyer Dale Rogers. No conclusions yet, he notes, but "it helps us with labor because products are shipped directly into the stores. It's easier for one person to put it up because when they open a case, they just have to go to one point in the section, not two or three.

The drawback, he adds: if a customer doesn't know what brand of hair spray to buy and wants to shop an entire section, she can't. On the other hand, it has helped some brands get additional sales. Sometimes customers don't know that the shampoo they're using also has a companion hair spray or gel.

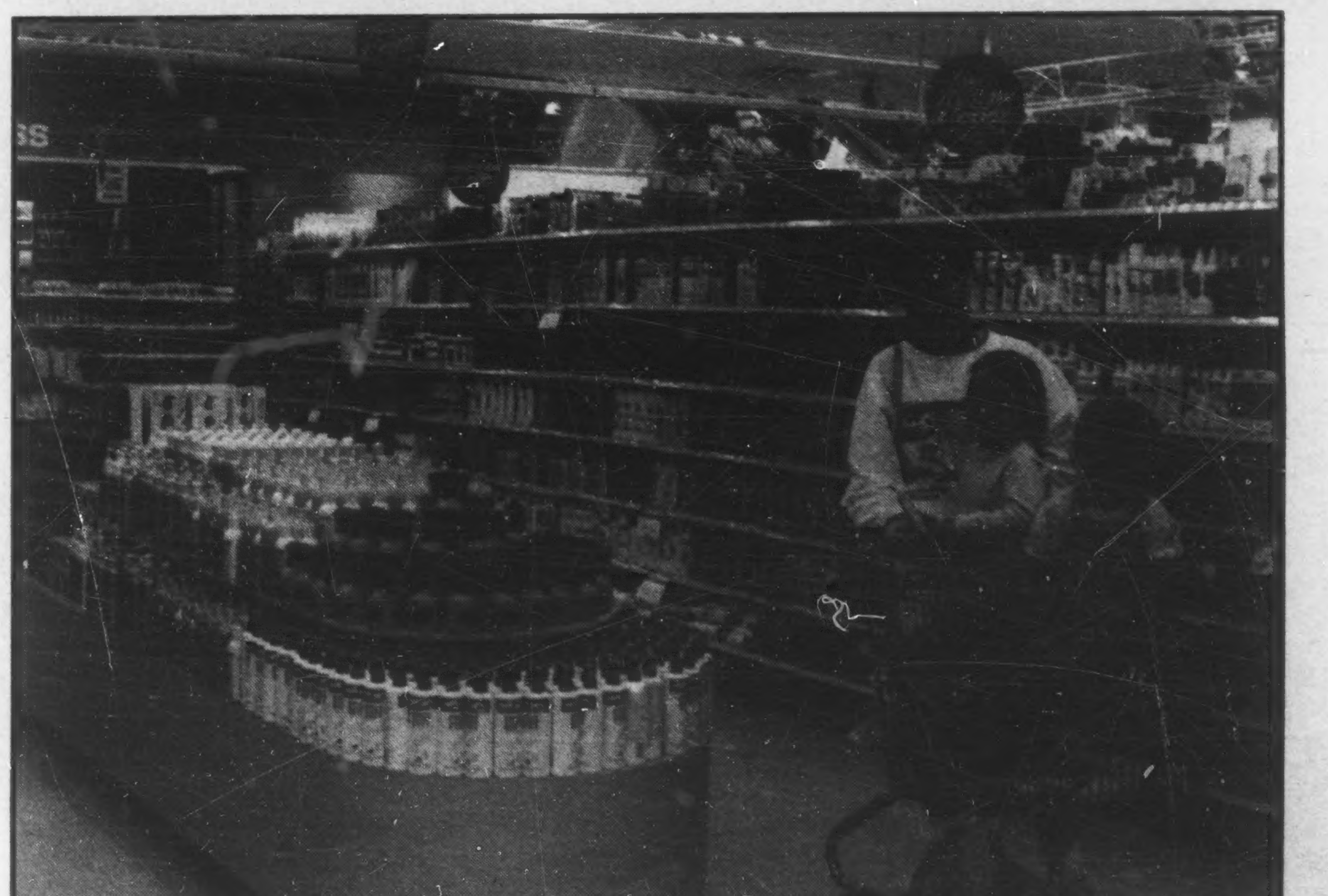
The new set is organized by price point. The lead section is semi-professional brands, followed by once professional, now professional heritage brands like Vidal Sassoon and then by premium priced lines.

Some of the strongest brands in the set: Studio Line, Salon Selectives, Vidal Sassoon, Pantene, Pert Plus, Jhirmack and Head & Shoulders. Also, L'Oréal's Colorvive, John Frieda Frizz-Ease and Studio Anti-Frizz are strong.

Revlon's Flex is coming back, but it still isn't as strong as it used to be, Rogers says. Neutrogena is strong and Citré Shine is moving very well. The hot oil category is selling well, particularly Alberto-Culver VO5.

Frieda has line extensions, including a shampoo, and Rogers thinks it will catch on. Redmond has a

Continued on page 44



Anti-frizz products and two-in-one shampoo/conditioners are selling well in drug stores.

Anti-frizz adds sizzle to sales

Continued from page 42

new shine enhancer that he was very positive about.

Douglas Drug

At Douglas Drug in Rhode Island, HBA buyer Steve Dubin has a few favorite performers in recent months: the Colorvive line, with the new Colorvive Color Sealer looking promising, and the repackaged and relaunched Jhirmack. He also says that Vidal Sassoon's Advanced Ultra Care three-in-one shampoo/conditioner/finishing rinse line has a new water-based environmentally sound hair spray that looks like it could be a winner with advertising dollars behind it.

Dubin likes Studio Line's new Anti-Frizz and Frizz-Tamer from Del Labs, and feels that a new Aussie Gloss from Redmond, shipping in at press time, might be a winner.

K&B

In Louisiana, HBA buyer Chuck Gautreaux reports that frizzy hair treatment products are hot: Frizz-Ease and Frizz-Tamer, as examples.

Spray gels, particularly from Sassoon, Salon Selectives and Jhirmack are also very popular, he said, because they're a lot less messy than gels in tubes.

The Colorvive line is moving well, he said, "a surprise to us because of the high price points," he added.

Repackaged Jhirmack, supported by heavy advertising, is selling much better, said Gautreaux, who also credited L'Oréal's new product "inventiveness" when mentioning the following for Studio Line.

He felt that Agree, with its ad support from S.C. Johnson, might show some dramatic increases.

Among children's brands, Care For Kids was slow at press time, he said, but Johnson & Johnson's Baby Shampoo was selling as well as ever. Goody's Mickey Mouse hair accessories were just coming into the stores at press time, and Gautreaux thought they would do well.

Harco Drug

At Harco in Alabama, hair care is flat and dull—although buyer Charles Monk says Harco has an opportunity to expand in professional hair care, and he'll manage that over the next few months.

Monk says he wants to run schools on professional hair care educate the cosmeticians. He is already sending more product information into the stores for them to read.

In the shampoo category, Monk says the big trend is that consumers are buying more and more two-in-one shampoo/conditioners, led by Pert Plus and Vidal Sassoon.

In styling aids, the gels and mousses have peaked, so Harco is dropping slower movers and giving more space to top sellers. He singled out the Clairol styling aids and L'Oréal's Studio Line, particularly Pumping Curls, as among his best sellers.

John Frieda's Frizz-Ease has done very well in Harco stores, selling well even at its full $9.99 retail. Now Frieda is launching a number of line extensions, which Monk feels will make the manufacturer's line a top seller.

Bill's Drug

At Bill's Drug in Benicia, Calif., buyer Sharon Schrage says professional hair care lines, and the L'Oréal Studio Line, particularly the brand's styling aids for curly hair, are setting the sales pace in the category.

At press time, Bill's was preparing to advertise Frizz-Ease. Schrage said that based on what she's seen in other chains—a good ad plus placement on a highly visible endcap—should be effective.

Kinney

In Gouverneur, N.Y., Kinney buyer Robert Burtis says styling aids are turning the fastest for him, but he's waiting for the next big marketing trend to emerge.

"In hair styling, we've gone from regular hold to super to ultra to spritz to freeze, and now we've got to have one step beyond that. I'm waiting for the Super Glue Special," Burtis said.

He knows that teenage girls are still driving the growth in hair styling. "I went to a girl's soccer game recently, and they were out there playing for hours in the burning sun. One girl came off the field and her body was drenched in sweat, but she didn't have one hair out of place."

GROWTH STOCK.

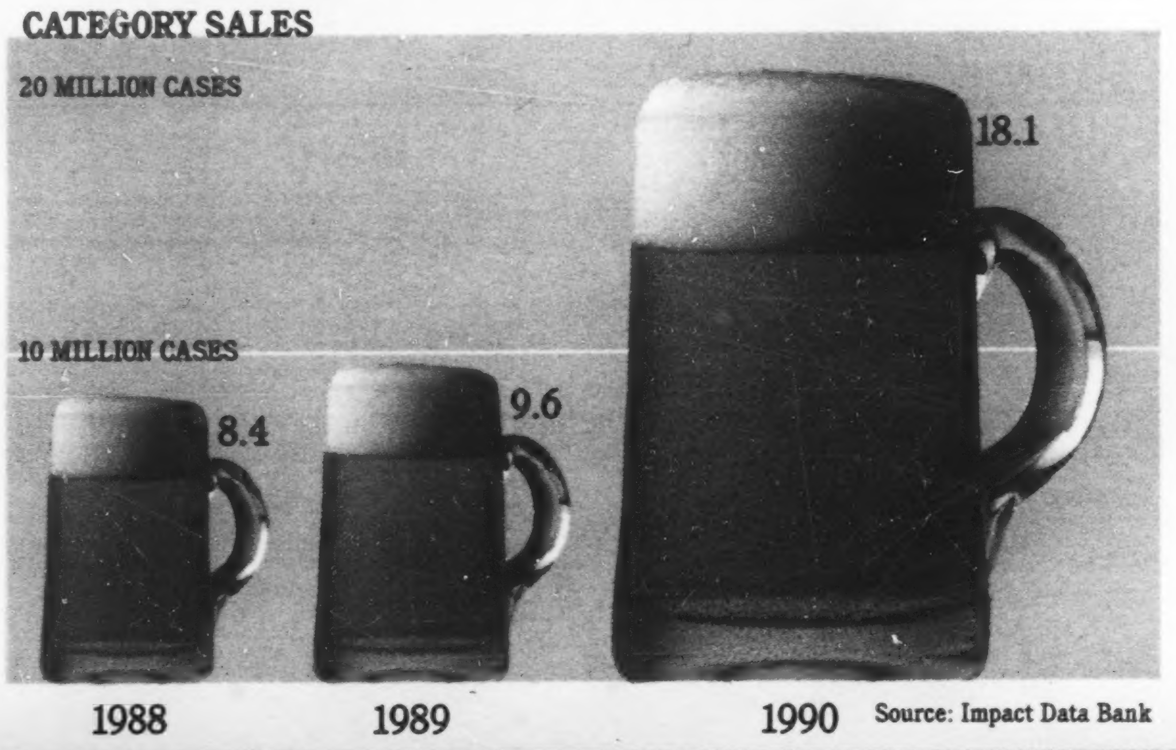
Non-alcoholic brew sales nearly doubled in 1990 with the introduction and success of O'Doul's from Anheuser-Busch. This year be sure to take advantage of the high profit margins and at the same time give your customers a more complete selection of malt beverages.

In a beer market, O'Doul's is a solid investment. Backed with the kind of marketing and advertising support that has Anheuser-Busch written all over it.

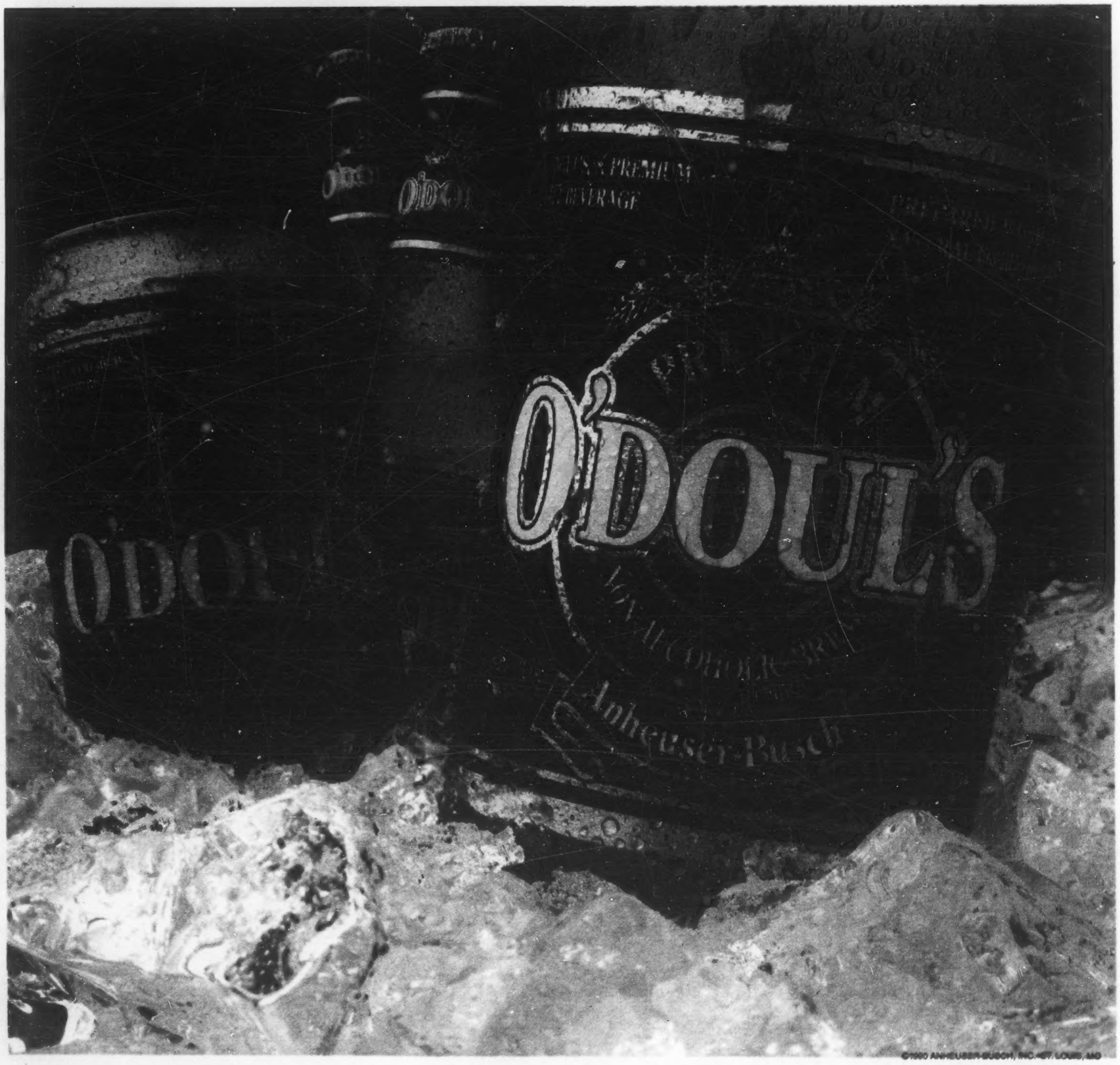
O'Doul's non-alcoholic brew. Take stock in it today.

THE TASTE WILL WIN YOUR CUSTOMERS OVER.

Anheuser-Busch, Inc.



Source: Impact Data Bank



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Triple A Products Rocket to Top of List

Sure, customer loyalty fuels sales. But manufacturer ad support and retail merchandising really launch these products and propel them to the top of the charts.

Items on this year's Triple A list read like a "Who's Who" of HBA and GM products: Tylenol, Advil, Robitussin, Mylanta, Ultra Slim Fast, Kodak, Polaroid, Duracell and Eveready, to name a few. Certainly, all the items have different uses and are designed to do different things. But they all have some important things in common.

Each one commands high consumer recognition, generates a tremendous sales volume and is backed by consistent and considerable manufacturer advertising dollars. As a group, they receive the lion's share of retailer promotional attention—so much so that retailers are often willing to sacrifice them as low-margin traffic-builders.

When new products soar to the top 100 list, retailers can be credited with fanning the flames of their popularity at store level. But it's really the manufacturers who light the popularity blaze.

"Retailers can help launch a product, but if the manufacturer doesn't have good promotions and doesn't give us enough lead time to get the promotions in place, there's not a lot we can do at store level to make the product fly," said Bob Morick, vp-marketing, at Phoenix-based Rx Plus. "The amount of FSI couponing and the amount of force manufacturers put behind a new product has a lot to do with its success."

U.S.S.
Triple A

The 100 Hottest Health & Beauty Aid Items

(Ranked by unit volume)

Rank	Product name	Rank	Product name
1	FLEET ENEMA REG. 4.5 OZ.	51	COLGATE TARTAR CONTROL 6.4 OZ.
2	GILLETTE SENSOR CARTRIDGES 5S	52	TYLENOL EX-STR GELCAP 24
3	CHAPSTICK REG.	53	BENADRYL ELIXIR 4 OZ.
4	AOSEPT SOLUTION 12 OZ.	54	MAALOX SUSP 12 OZ.
5	ROBITUSSIN DM 4 OZ.	55	TAMPAX REG. 40S
6	TYLENOL EX-STR CAPLETS 50S	56	ULTRA SLIM FAST VANILLA 15 OZ.
7	ULTRA SLIM FAST CHOC 15 OZ.	57	ALKA-SELTZER PLUS 36S
8	B&L SALINE 12 OZ. SEN EYE	58	KOTEX LIGHTDAYS UNSC 24S
9	ADVIL TABLETS 24S	59	BARBASOL SHAVE CREME 11 OZ.
10	ADVIL TABLETS 50S	60	THERAGRAN-M TABS 100+30
11	AQUA NET EXTRA SUPER HOLD 9 OZ.	61	TYLENOL EX-STR GELCAP 50
12	SUDAFED TABS 24S	62	LISTERINE 32 OZ.
13	AOSEPT DISC REPLACEMENT	63	EFFERDENT DENTURE TABS 40
14	GOOD NEWS RAZORS 10S	64	CLOSE-UP REG. GEL 6.4 OZ.
15	FIXODENT DENT ADH 2.5 OZ.	65	SLIM FAST CHOC MALT 15 OZ.
16	OIL OF OLAY 4 OZ.	66	TYLENOL EX-STR CAPLETS 100S
17	MENNEN SPEED STICK REG. 2.25 OZ.	67	AOSEPT SOLUTION 8OZ.
18	GILLETTE SENSOR RAZOR	68	SUMMERS EVE VIN & WATER TWIN
19	CENTRUM 100+30	69	CREST TARTAR GEL 6.4 OZ.
20	BIC RAZOR 10S	70	BIC RAZOR SENS 10S
21	MYLANTA LIQUID 12 OZ.	71	SCOPE 24 OZ.
22	EDGE SHAVE GEL	72	OPTI-FREE 12 OZ.
23	LISTERINE 6 OZ.	73	OIL OF OLAY 6 OZ.
24	B&L RENU MULTI-PURP SOL 12 OZ.	74	TYLENOL EX-STR TABLETS 100S
25	AQUA NET EX SUP HLD UNSCENT 9 OZ.	75	NEOSPORIN OINTMENT .5 OZ.
26	CREST TARTAR CONT 6.4 OZ.	76	BLISTIK LIP BALM .15 OZ.
27	TAMPAX SUPER 10S	77	CREST TARTAR GEL 2.7 OZ.
28	SLIM FAST CHOC BARS 10 CT	78	BENADRYL TABS 25MG 24S
29	ROBITUSSIN CF 4 OZ.	79	CREST REG. 4.6 OZ.
30	TAMPAX REG. 10S	80	LISTERINE 18 OZ.
31	VISINE EYE DROPS .5 OZ.	81	CREST TARTAR CONT 8.2 OZ.
32	CREST REG. 6.4 OZ.	82	EFFERDENT DENT TABS 96/90
33	TYLENOL DROPS 15CC	83	BLISTEX OINTMENT .21 OZ.
34	LISTERINE 48 OZ.	84	CREST TARTAR GEL 8.2 OZ.
35	COLGATE REG. 7 OZ.	85	ADVIL CAPLETS 24S
36	SUAVE XHLD NONAERO 8 OZ.	86	IMODIUM A-D CAPLETS 12S
37	TYLENOL EX-STR CAPLETS 24S	87	PEPTO-BISMOL LIQ 8 OZ.
38	ULTRA SLIM FAST STRAWB 15 OZ.	88	CREST TARTAR GEL 4.6 OZ.
39	AFRIN 15 ML	89	BAYER BABY ASPIRIN TABS 36S
40	ARM & HAMMER TOOTHPASTE 5 OZ.	90	ALKA-SELTZER PLUS 20S
41	TYLENOL EX-STR GELCAP 100	91	CREST REG. 2.7 OZ.
42	TYLENOL EX-STR TABLETS 30S	92	MYLANTA II 12 OZ.
43	CARMEX .25 OZ.	93	K-Y JELLY 2 OZ.
44	Q-TIPS 300S	94	GOOD NEWS RAZORS 5S
45	DIMETAPP ELIXIR 4 OZ.	95	J&J BABY POWDER 10 OZ.
46	ADVIL TABLETS 100S	96	CREST MINT 6.4 OZ.
47	TAMPAX SUPER 40S	97	VISINE EYE DROPS .5 OZ.
48	NYQUIL 6 OZ.	98	DAISY PLUS 10S
49	SLIM FAST CHOC PWDR 15 OZ.	99	PEPTO-BISMOL LIQ 4 OZ.
50	BAYER ASPIRIN 100S	100	TROJAN-ENZ LUB 12S

Source: *Drug Store News* research

The 100 Hottest Health & Beauty Aid Items

(Ranked by dollar volume)

Rank	Product name	Rank	Product name
1	ULTRA SLIM FAST CHOC 15 OZ.	51	TYLENOL EX-STR TABS 100S
2	AOSEPT SOLUTION 12 OZ.	52	OB TAMPON SUPER ABS 30S
3	CENTRUM MULTI VIT 100/30	53	ROBITUSSIN DM 8 OZ.
4	GILLETTE SENSOR CARTS 5S	54	OPTI-CLEAN II 20ML
5	TYLENOL EX-STR CAPLETS 50S	55	ADVIL TABS 250S
6	B&L RENU SOL 12 OZ.	56	SLIM FAST PBUTTER BARS 10S
7	ADVIL TABS 50S	57	TYLENOL EX-STR GELCAP 24S
8	TYLENOL EX-STR CAPLETS 100S	58	NYQUIL 10 OZ.
9	OIL OF OLAY 4 OZ.	59	TYLENOL EX-STR GELCAP 150S
10	ULTRA SLIM FAST VAN 15 OZ.	60	ALKA-SELTZER PLUS 20S
11	ADVIL TABS 100S	61	OB TAMPON SUPER + ABS 30S
12	THERAGRAN-M TABS 100 + 30	62	ATRA PLUS 10S
13	ULTRA SLIM FAST STRAWB 15 OZ.	63	BENADRYL CAPS 25 MG 48S
14	OPTI-FREE 12 OZ.	64	BOSTON ADVANCE CLNR 1 OZ.
15	AOSEPT SOLUTION 8 OZ.	65	BENADRYL TABS 25MG 24S
16	AOSEPT DISC REPLACEMENT	66	ANACIN TABS 100S
17	ROBITUSSIN DM 4 OZ.	67	SLIM FAST VANILLA POWDER 15 OZ.
18	LISTERINE 48 OZ.	68	OPTI-ZYME ENZYMATIC CLN 24S
19	ULTRAZYME CLEANER 10S	69	MENNEN SPEED STICK REG 2.25 OZ.
20	TAMPAX SUPER 40S	70	SUDAFED TABS 48 S
21	TYLENOL EX-STR GELCAP 50S	71	AFRIN 30ML
22	SLIM FAST CHOC BARS 10S	72	BOSTON ADV COND SOL 4 OZ.
23	BENADRYL CAPS 25 MG 24S	73	PEPTO-BISMOL 16 OZ.
24	TAMPAX ORIGINAL 40S	74	TRAC II PLUS BLADES 10S
25	IMODIUM A-D CAPLETS 12S	75	PLAYTEX TAMPONS REG DEOD 28S
26	CIBA SALINE AERO 12 OZ.	76	TAMPAX SUPER PLUS 40S
27	SUDAFED TABS 24 S	77	TYLENOL DROPS 15CC NON ALC
28	ADVIL TABS 24S	78	VISINE EYE DROPS .5 OZ.
29	SLIM FAST CHOC PWDR 15 OZ.	79	FIXODENT DENT ADHES 2.5 OZ.
30	TYLENOL EX-STR CAPLETS 175S	80	ROBITUSSIN CF 4 OZ.
31	ADVIL CAPLETS 100S	81	NEUTROGENA FACE MOIST 4 OZ.
32	B&L SENSITIVE DISINF SOL 12 OZ.	82	NEOSPORIN MAX STR OINT .5 OZ.
33	TYLENOL EX-STR TABS 60S	83	DAISY PLUS 10-S
34	GOOD NEWS RAZORS 10S	84	EFFERDENT TABS 96/90
35	TYLENOL EX-STR CAPLETS 24S	85	PLAYTEX TAMPONS SUPER DEOD 28S
36	GILLETTE SENSOR RAZOR	86	FLEET ENEMA 4.5 OZ.
37	OIL OF OLAY 6 OZ.	87	BENADRYL ELIXIR 4 OZ.
38	BAYER ASPIRIN 100S	88	METAMUCIL REGULAR 29 OZ.
39	AFRIN 15ML	89	ULTRAZYME CLEANER 20S
40	ADVIL TABS 165S	90	NYQUIL 6 OZ.
41	ENSURE VANILLA 8 OZ./6PK	91	LISTERINE 12 OZ.
42	ENSURE PLUS VAN 8 OZ./6PK	92	DEPENDS X-ABSORB 30S
43	METAMUCIL POWDER 19 OZ.	93	TAMPAX SLENDER REG 40S
44	SLIM FAST CHOC MALT 15 OZ.	94	DEXATRIM MAXIMUM CAPS 20S
45	ALKA-SELTZER PLUS 36S	95	SLIM FAST STRAWBERRY 15 OZ.
46	LISTERINE 32 OZ.	96	METAMUCIL ORANGE 29 OZ.
47	TYLENOL EX-STR TABS 200S	97	EXCEDRIN ANALGESIC TABS 225S
48	MYLANTA LIQUID 12 OZ.	98	MAALOX SUSP 12 OZ.
49	DIMETAPP ELIXIR 4 OZ.	99	STAYFREE MAXI SUPER
50	METAMUCIL ORANGE POWDER 19 OZ.	100	LISTERINE 24 OZ.

Source: *Drug Store News* research

The 100 Hottest General Merchandise Items

(Ranked by unit volume)

Rank	Product name	Rank	Product name
1	KODAK GOLD 200 GB135-24C	51	BIC 10 BALL PENS BLUE
2	KODAK GOLD 100 GA135-24C	52	POLAROID 600 PLUS 2 PK
3	DURACELL AA 4 PK	53	FUJI SUPER HR 200 CN 135-24
4	KODAK GOLD 200 GB110-24C	54	CARTERS MARK A LOT BLACK
5	DURACELL AA 8 PK	55	KODAK GOLD 3 PK GA135-24-3
6	KODAK GOLD 400 GC135-24C	56	BRAWNY TOWELS ASST 1CT
7	ENERGIZER AA 8 PK	57	3M SCOTCH CLEAR TAPE 1/2X500
8	POLAROID 600 PLUS SINGLE	58	MEAD COLOR TALK PORTFOLIO
9	ENERGIZER AA 4PK	59	FUJI SUPER HR 100 CN 135-24
10	BOUNTY TOWELS DESIGN	60	NORTHERN BATH TISSUE 6 PK
11	DURACELL AA 2 PK	61	AJAX DISH LIQUID 22 OZ
12	POSTERBOARD WHITE 22X28	62	KLEENEX BOUTIQUE 100S
13	CHARMIN 12 ROLL WHITE	63	CLOROX BLEACH 32 OZ
14	SCOTT BATH TISSUE WHITE 4PK	64	GLADE COUNTRY GARDEN
15	AJAX CLEANSER 14 OZ	65	BIC 10 BALL PENS BLACK
16	DURACELL D 2 PK	66	GLADE MOUNTAIN HEATHER
17	COMET CLEANSER POWD 14 OZ	67	STUART HALL THEME BOOK WIDE
18	SCOTT TOWELS DECORATED	68	KRAZY GLUE TUBE
19	ARM & HAMMER BAKING SODA 16 OZ.	69	CLOROX FRESH SCENT 64 OZ
20	NORTHERN BATH TISSUE 12 ROLL	70	OXFORD 3X5 INDEX CARDS
21	DURACELL C 2 PK	71	GLADE CINNAMON STICK
22	DURACELL AAA 4 PK	72	MEAD BRIEF FOLDERS 100S
23	TIDE LIQUID 64 OZ	73	ENERGIZER D 4 PK
24	SCOTCH MAGIC TAPE 1/2X450	74	IVORY LIQ DISH DETERGENT 22 OZ
25	ENERGIZER AA 2 PK	75	3M SCOTCH MAGIC TP 1/2X950
26	SCOTCH MAGIC TAPE 3/4X300	76	PAPERMATE PEN 10 PK BLACK
27	ENERGIZER AAA 4 PK	77	TIDE W/BLEACH 39 OZ
28	KODAK DISC 155-4633	78	KLEENEX ULTRA 70CT
29	CLOROX BLEACH LIQUID 128 OZ	79	DAWN LIQ DISH DETERGENT 22 OZ.
30	KODAK GOLD 200 4GB135-36C	80	FUJI SUPER HR 200 CN 135-24-3 PK
31	KODAK AA 8 PK	81	B&S CRAYOLA 64S
32	ENERGIZER D 2 PK	82	GLADE SPRING FRESH 7 OZ
33	KODAK GOLD 100 GA135-36C	83	SCOTTIES FACIAL 280S
34	KLEENEX TISSUE WHITE 175S	84	GLADE COUNTRY BREEZE 7 OZ
35	KODAK GOLD 400 7GC135-36C	85	PAPERMATE PEN 10 PK BLUE
36	ENERGIZER C 4 PK	86	DOWNY FABRIC SOFTENER 64 OZ
37	DURACELL C 4 PK	87	TIDE 136 OZ REGULAR
38	DURACELL AAA 2 PK	88	KLEENEX ULTRA 150 CT
39	BRAWNY TOWELS 3 PK	89	ALL LIQUID DETERGENT 64 OZ
40	PUREX DETERGENT POWDER 136 OZ	90	TIDE W/BLEACH 136 OZ
41	KODAK GOLD 200 GB110-12C	91	ELMERS GLUE ALL 4 OZ
42	TIDE 39 OZ REG	92	GLADE SUPER FRESH AERO 7 OZ
43	KLEENEX LITTLE TRAV 65S	93	SUNLIGHT DISH DETER 22 OZ
44	MEAD TRAPPER PORTFOLIO	94	SUPER GLUE TWIN PACK
45	POLAROID TIME ZERO SINGLE	95	CASCADE 65 OZ POWDER DISH
46	DENNISON GLUE STICK	96	FUJI SUPER HR CN 110-24
47	KLEENEX DISPENSER 130S	97	B&S CRAYOLA 16S
48	STUART HALL THEME BK COLLEGE	98	PENTECH HOT SPOT HILITER 5S
49	KLEENEX TISSUE ASSORTED 250S	99	KRAZY GLUE PEN
50	KLEENEX SOFTIQUE 250CT	100	ELMERS GLUE ALL 1.25 OZ

Source: *Drug Store News* research

TRIPLE A

general merchandise

The 100 Hottest General Merchandise Items

(Ranked by dollar volume)

Rank	Product name	Rank	Product name
1	POLAROID 600 PLUS SINGLE	26	KODAK DISC
2	KODAK GOLD 200 GB135-24C	27	KODAK GOLD 100 GA135-36C
3	KODAK GOLD 100 GA135-24C	28	ENERGIZER AA 2 PK
4	POLAROID 600 PLUS 2 PK	29	ARM & HAMMER BAKING SODA
5	DURACELL AA 4 PK	30	CLOROX BLEACH 128 OZ
6	KODAK GOLD 200 GB110-24C	31	ENERGIZER D 2 PK
7	ENERGIZER AA 4 PK	32	NORTHERN BATH TISSUE 6 ROLL
8	KODAK GOLD GB135-24-3 PK	33	ENERGIZER 9V
9	DURACELL AA 8 PK	34	ENERGIZER C 2 PK
10	ENERGIZER AA 8 PK	35	KODAK GOLD GC135-24-3 PK
11	CHARMIN 12 ROLL WHITE	36	KODAK GOLD 400 GC135-36C
12	PUREX DETERGENT POWDER 136 OZ	37	DURACELL AAA 4 PK
13	NORTHERN BATH TISSUE 12 ROLL	38	DURACELL C 4 PK
14	DURACELL AA 2 PK	39	ENERGIZER AAA 4 PK
15	KODAK GOLD GA135-24-3 PK	40	KLEENEX TISSUE ASSORTED 250S
16	TIDE LIQUID 64 OZ	41	ENERGIZER C 4 PK
17	KODAK GOLD 400 GC135-24C	42	KLEENEX SOFTIQUE 250S
18	SCOTT BATH TISSUE WHT 4-ROLL	43	DURACELL AAA 2 PK
19	KODAK GOLD 200 GB135-36C	44	AJAX DISH LIQUID 22 OZ
20	POLAROID TIME ZERO SINGLE	45	DURACELL D 4 PK
21	BRAWNY TOWELS 3 ROLL PACK	46	FUJI SUPER HR 200 CN 135-24
22	DURACELL D 2 PK	47	ENERGIZER D 4 PK
23	BOUNTY TOWELS DESIGN	48	FUJI SUPER HR 100 CN 135-24
24	SCOTT TOWELS DECORATED	49	ENERGIZER AAA 2 PK
25	DURACELL 9V	50	KLEENEX TISSUE WHITE 175S

Source: *Drug Store News* research

*Source: ITA Shipments, December, 1989 "Polaroid," "OneStep," "OneFilm" ® Polaroid® 1991

Polaroid
High Grade
Polaroid
One Step
Flash
Polaroid 600 PLUS
Polaroid
600
PLUS
FULL LIFETIME WARRANTY
T-120

Our product line will do wonders

The 100 Hottest General Merchandise Items

(Ranked by dollar volume)

Rank	Product name	Rank	Product name
51	COMET CLEANSER 14 OZ	76	KODAK AA 2 PK
52	ENERGIZER 9V 2 PK	77	IVORY LIQ DISH DETERGENT 22 OZ
53	KODAK GLD 200 GB135-12C	78	AJAX POWDER DETERGENT 32 OZ
54	MEAD TRAPPER PORTFOLIO	79	KLEENEX ULTRA 150S
55	KODAK AA 4 PK	80	STUART HALL THEME BOOK COLLEGE
56	KLEENEX DISPENSER 130S	81	CORONET TISSUE 8 ROLL
57	KODAK AA 8 PK	82	KODAK AAA 4 PK
58	KODAK C 2 PK	83	KLEENEX BOTIQUE 95S
59	POSTERBOARD WHITE 22X28	84	KODACOLOR GOLD 200 GB126-12C
60	KODAK D 2 PK	85	WISK LIQ DETERGENT 64 OZ
61	DOWNY FABRIC SOFTENER 64 OZ	86	KODAK AAA 2 PK
62	KODAK GOLD GB110-24-2 PK	87	KLEENEX ULTRA 108S
63	FUJI SUPER HR 200 CN 135-24-3 PK	88	KLEENEX LITTLE TRAVELER 65S
64	DAWN DISH DETERGENT 22 OZ	89	ENERGIZER D 6 PK
65	TIDE W/BLEACH 39 OZ	90	BOUNCE FAB SOFTENER 40S
66	CHARMIN TISSUE 6 ROLL	91	KLEENEX BOUTIQUE 100S
67	POLAROID SPECTRA SINGLE	92	KLEENEX POCKET PACK 8S
68	KODAK BATTERY 9V	93	ALL LIQUID DETERGENT 64 OZ
69	SUNLIGHT DISH DETER 22 OZ	94	B&S CRAYOLA 64S
70	SCOTTIES FACIAL 280CT	95	CASCADE LIQUID 50 OZ
71	TIDE 39 OZ REG	96	WOOLITE RUG CLN 22 OZ SPRAY
72	KODAK GOLD 400 GC110-24C	97	KLEENEX ULTRA 70S
73	FUJI SUPER HR CN 110-24	98	STUART HALL THEME BOOK WIDE
74	ENERGIZER C 6 PK	99	JOY DISH DETERGENT 22 OZ
75	LISA FRANK PAPER PACK 1T	100	GLADE COUNTRY GARDEN 7 OZ

Source: *Drug Store News* research

Polaroid
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Polaroid
OneFilm
35mm Film for
Polaroid
35mm
One Film
Color Print Film

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[illegible]

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NOTHING WORKS LIKE POLAROID
IMAGING PRODUCTS

Bulk of Top 100 lists made of tried-and-true staples

Aside from the occasional neophyte product, the bulk of the Top 100 list still rests with the tried-and-true staples of chain drug retailing.

These products are the cream of the crop, achieving their impressive turns because they have a built-in customer loyalty. That loyalty, say retailers, was earned not only by the relentless promotion required to keep the products on top, but also by the merits inherent in the products themselves.

Steve Lund, vp-merchandising, Perry Drug Stores, attributes their standing primarily to the fact that they fill a genuine consumer need. But he says that's not all that keeps sales healthy.

In truth, there is very little product differentiation in saturated categories. Most retailers admit that sales of No. 1 products are ad-driven.

"When Pert Plus entered the market, it offered a unique advantage [shampoo and conditioner combined in one formulation]. Then it lived up to that advantage," he said. "But you can't overlook the effect of the tremendous amount of money the manufacturer spent introducing the product. And Procter & Gamble didn't forget about advertising the product later, so it continues to keep its market share."

Lund believes that HBA products are so impulse-oriented that manufacturers must continue to bankroll advertising for mature products to keep them top of mind for consumers. Store tie-in promotions and FSI couponing of the "buy-one-get-one-free" variety are important here too and can breathe new life into old products.

Another way for manufacturers to keep their products in the public eye is by introducing line extensions. The tactic has been a winner for manufacturers. Thera-Flu, a highly successful recent product introduction, will tap into its popularity with line extensions this year. McNeil Pharmaceuticals is even planning a line extension this year for the recently switched Imodium A-D.

While retailers are always happy to offer consumers something new, their feelings are mixed about finding shelf space for the items.

"Line extension products force us to carry more SKUs and dilute our sales," said one buyer at a Midwestern chain. Said Tony Montini, senior vp, purchasing, merchandising and marketing at Reliable Drug Stores: "Tylenol is still No. 1 in that category and has grown in SKUs, but it has not grown proportionately in additional sales or additional space."

Despite their support of their own private label brands, most retailers rely on branded products to give them the customer traffic vital to any retail business. They are doing their part to push the old standbys at store level by heavily merchandising those branded items.

Retailers pump up volume

Retailers use branded items as category anchors, planogramming around them to give them the best eye-level shelf space and the most facings. They also serve as anchors for circular advertising. Often, these items get off-shelf display space as well.

Top 100 products dominate end caps at Pontiac, Michigan-based Perry Drug Stores. "Typically, we place highly consumable items in an end cap," said Scott Gorley, assistant vp-merchandising. "Q-Tip 300 count swabs are a good example, since they enable you to give customers a bulk look without forcing you to tie a high outlay of stock dollars in the display."

Gorley also frequently stocks Northern four-pack toilet tissue or Plax mouthrinse in an end cap. Endcaps also beef up unit movement of products such as Ultra Slim Fast, Fleet enemas, Bic shavers and Neosporin at the 299-store chain.

Cough cold products get seasonal end caps at many

Continued on page 70

How chain drug stores used ad space: 1991 vs. 1990*

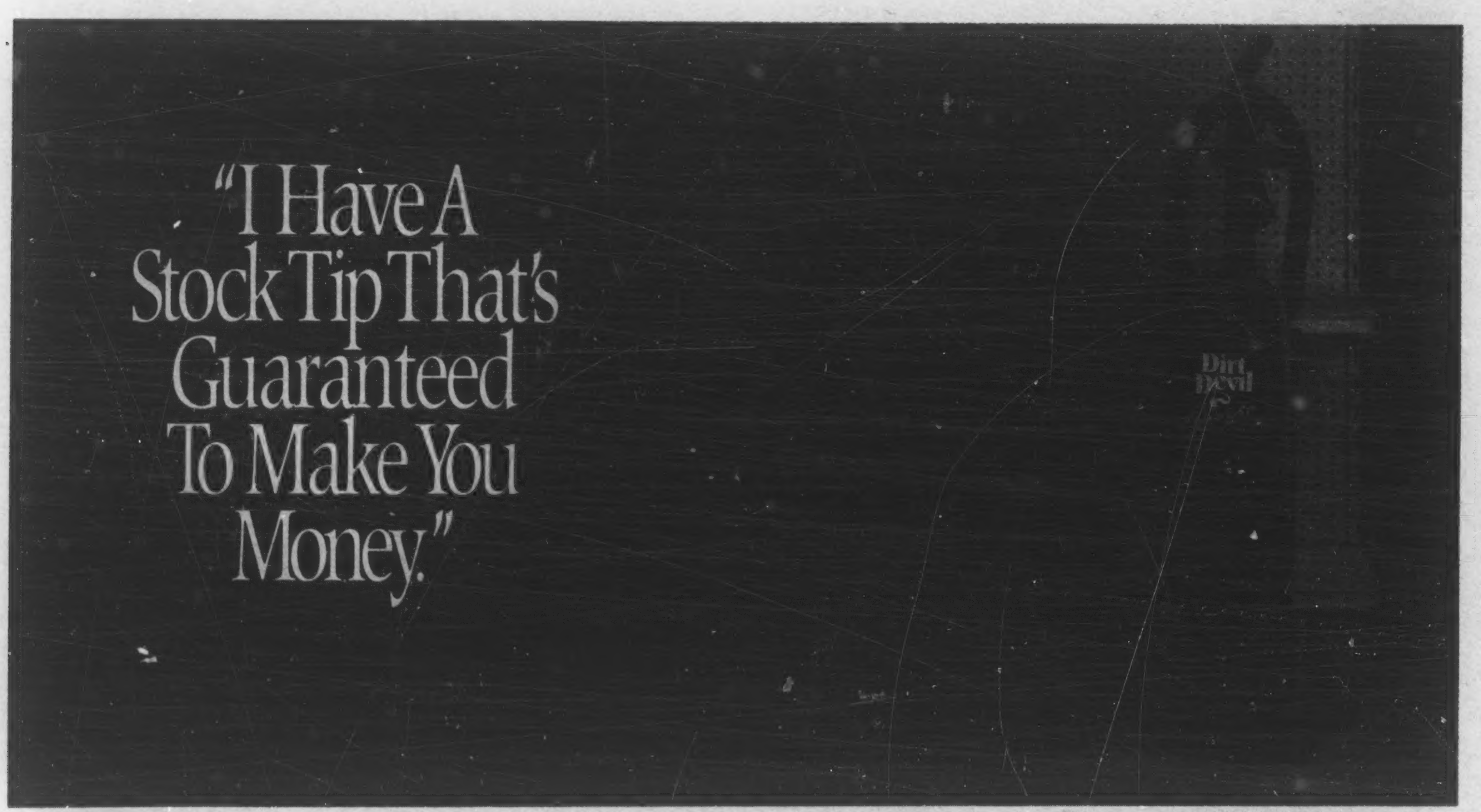
(Percentage of space devoted to each category each month, first six months)

HBA

Category	Jan.			Feb.			March			April			May			June		
	'90	'91	% chg	'90	'91	% chg	'90	'91	% chg	'90	'91	% chg	'90	'91	% chg	'90	'91	% chg
Analgesics	3.0%	2.7%	−12%	3.4%	2.7%	−22%	3.7%	2.8%	−25%	2.4%	2.5%	+ 5%	2.4%	1.9%	−21%	2.5%	2.5%	+ 2%
Antacids	1.3	1.2	−10	1.6	1.2	−27	1.6	1.0	−39	1.4	1.1	−20	1.4	0.9	−34	1.6	1.0	− 36
Baby needs	2.1	1.8	−15	2.1	2.1	− 3	2.3	1.9	−18	2.2	3.3	+53	2.2	1.9	−12	2.1	2.2	+ 4
Cough/cold	6.2	6.7	+ 8	6.4	4.9	−23	5.0	3.4	−33	2.3	2.7	+18	2.3	1.9	−17	2.7	1.3	− 52
Dental	3.9	3.3	−17	4.4	4.0	− 8	3.3	3.0	−10	3.2	3.2	0	3.2	2.6	−19	3.5	3.2	− 8
Deodorants	1.9	1.9	+ 2	2.3	2.0	−13	2.9	2.0	−29	2.4	2.1	−12	2.4	1.9	−21	2.5	2.5	+ 2
Diet aids/vitamins	6.3	5.0	−21	5.1	4.0	−21	5.0	3.5	−31	3.6	3.8	+ 4	3.6	3.0	−18	4.5	3.6	− 19
Eye care	2.7	2.5	− 5	2.9	2.1	−29	2.3	2.3	− 2	2.4	2.5	+ 5	2.4	2.6	+ 9	2.6	2.7	+ 5
Family planning	0.3	0.2	−29	0.6	0.3	−49	0.3	0.4	+ 9	0.3	0.3	−12	0.3	0.2	−41	0.8	0.5	− 36
Feminine hygiene	1.6	1.6	0	2.1	1.7	−20	1.8	1.8	+ 1	1.7	1.9	+11	1.7	1.7	− 1	1.5	2.1	+ 45
First aid**	0.3	0.6	+77	1.1	0.8	−29	1.2	0.8	−31	1.9	1.7	−12	1.9	2.1	+ 8	1.5	2.9	+100
Hair care	6.3	9.6	+53	6.5	9.4	+45	7.2	8.9	+23	6.5	9.7	+50	6.5	9.2	+42	7.0	9.4	+ 36
Home health care	3.5	3.4	− 2	4.1	3.7	− 9	4.7	3.7	−21	4.4	4.0	−10	4.4	3.7	−17	3.8	4.3	+ 13
Men's toiletries	2.2	2.8	+25	2.9	3.3	+14	2.8	2.2	−22	1.6	2.1	+32	1.6	1.7	+ 7	2.1	5.3	+150
Skin care***	8.7	8.0	− 8	7.5	7.7	+ 2	7.7	8.3	+ 8	9.6	9.7	+ 1	9.6	11.0	+15	8.2	9.6	+ 18

*Ad activity for top 50 drug chains
**First aid here includes antibiotic ointments as well as bandages, etc.
***Skin care here includes lotions/creams and bar soap

Source: Ad Activity Marketing Services Inc., Springfield, Ill.



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John A. Balch
President, Royal Appliance

Dirt Devil® by Royal

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The only cold sore treatment with sunscreens. [SPF=10]
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Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Tried-and-true staples bulk of Top 100

Continued from page 68

chains, including North Carolina's Kerr Drugs. Buyer Paige Ilderton said she often devotes off-shelf display space to tooth whitening products, a category she said is exploding in her market.

Occasionally, she cross-merchandises an end cap. One hot line for her is Studio Line hair products, items she says are top performers at the chain. Donald Gross, vp-marketing at Melville, N.Y.-based Genovese Drug Stores, cross-merchandises end caps as well, often featuring items such as Colgate toothpaste and Plax alongside toothbrushes and dental floss.

Enough product, right price

Price and stock are two issues which forever vex retailers when it comes to the Top 100 club. It's great that customers know these items so well. But it also means that they know them by price, which leaves little room for price differentiation on top performers.

"The top 50 or 100 items are very price-sensitive," said Kerr's Ilderton. "Customers shop these items and know where the best buy is."

As a result, retailers who are not chipping away at the margins of these products may find themselves losing a sale to competitors who may be all too willing to knock the price down to win consumers. That's the core of the deep discount strategy.

The products—and their competitive prices—are relentlessly promoted by retailers in circulars and in-store shelf pricing. When manufacturers run their own promotions, retailers want to be sure they have enough product in stock to satisfy customers.

Manufacturer tie-ins are important at Rx Plus. Marketing vp Robert Morick times his ads and circulars to a manufacturer's push. "You have to strike when it's hot," he said. "That means not only having it in stock, but also displaying it so that it's easily accessible to the customer."

Technological advantages have enabled retailers to use sophisticated inventory control systems to better monitor stock levels so that they are never caught short on the "bread and butter" items. Falling short on "the right stuff" can cost a retailer sales.

Two Rx-to-OTCs set sights on top 50 in '92

Couponing and ad support nearly propelled two Rx-to-OTC switches—Schering-Plough's Gyne-Lotrimin and Ortho's Monistat-7—to the Triple A top 100 list this year.

But, because the products didn't start to appear in stores until March, they failed to generate enough total sales to qualify them for the top 100 chart, which is based on a full calendar year ending June 30. Retailers fully expect that a full year of selling will place these items in the Top 100, if not the Top 50, in 1992.

Schering and Ortho didn't have to create a need for the products; both of them had a built-in prescription customer base. What the companies did create was an awareness that paid off for retailers—giving the products even quicker turns this year as OTC products.

Of course, it didn't hurt that both pharmaceutical companies pumped millions of dollars into consumer advertising. They did such a good job that, according to one retailer, even Ortho underestimated sales and has since revised its sales plan.

Sales volume of the products at Osco was fueled by customers drawn in by the aggressive couponing both companies did, according to Fred Burkhalter, vp-marketing, southern region of parent American Drug Stores.

Tim McAlear, president and ceo of Pay Less, said both brands of the antifungal cream ran a neck-and-neck race for sales volume since the FDA approved the switches in February.

Another successful switch was McNeil Pharmaceutical's Imodium A-D, an anti-diarrheal, now making waves as an OTC product.

The Industry Spoke... and SHOPA Listened.

SHOPA...a newly formed School and Home Office Products Association of retail buyers and manufacturers

"Timing for the stationery trade show is very important. It must be scheduled to allow time to develop a recommendation for our stores' advertising and promotional plans."
—*Merry Ballweber, Fred Meyer*

"I want a four-day working show with appointments to preview products and programs with all my vendors. That's why I'm going to the SHOPA SHOW."—*Debbie Kelly, Walgreens*

"Providing what customers want is at the heart of any business. Retailers have asked for an earlier show in a 'friendlier' location for years. Now we can provide what they have wanted with this Association-sponsored event."—*Rex Miller, Mead Corporation*

"Exhibiting at the SHOPA SHOW will save us money. New Orleans is one of the least expensive convention sites. But even if it were more, seeing buyers before decisions are made is the only efficient use of our resources."
—*Charlie O'Neil, Stuart Hall*

"Finally, the mass market stationery industry has the right show at the right time. We're going to support the SHOPA SHOW in New Orleans this December, prepared to see all of our buyers."
—*Jim Williamson, Esselte*

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School and Home Office Products Show
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Rite Aid reports record earnings for 2nd qtr.

SHIREMANSTOWN, Pa. — Rite Aid Corp. reported record earnings for the second quarter ended August 31. During the 13 weeks, corporate revenues rose 9 percent to $900.7 million from $826.2 million. Quarterly earnings grew 11.5 percent to $25.1 million from $21.5 million.

Drug store sales were up 8.7 percent to $849.0 million in the quarter, compared with $780.8 million in the same period a year earlier. Net drug store income for the quarter was up 15.5 percent to $23.6 million from $20.4 million in the comparable year-earlier period.

Year-to-date retail drug sales rose 8.9 percent to $1.71 billion, and net income advanced 14.3 percent to $50.0 million. Same-store sales were up 7 percent for the quarter and 7.3 percent for the 26-week period. The retail drug division ended the quarter with 2,439 drug stores.

Sales for Rite Aid Corp.'s specialty retailing arm, American Discount Auto Parts, were up 15.7 percent for the 13-week quarter to $22.5 million, compared with the year-earlier period's$19.4 million in volume. Earnings increased 23.1 percent to $571,000 from the year-earlier's $464,000. ADAP opened three stores in the quarter to end the period with 86 retail locations.

Fay's qtr. revenues up; sets sights on 2nd half

LIVERPOOL, N.Y. — Fay's posted net earnings for the second quarter of $1.25 million, or 8 cents a share, compared with $3.25 million, or 21 cents a share in the second quarter last year. Revenues in the quarter ended July 27 increased 27.8 percent to a record $207.4 million, as comparable store sales climbed 5.7 percent.

Chairman Henry Panasci, Jr. said earnings were affected by lower than expected gross margins, store expansion costs and sales weakness in the Paper Cutter division.

"With the costs of absorbing the Carls stores behind us and recessionary pressures easing, we expect that second half results will be more in line with expectations," said Panasci.

First half net earnings are at $3.1 million versus last year's $4.2 million, with six months sales of $384.6 million against $315.5 million in last year's comparable period.

Albertson's qtr. net income up 10.9%

BOISE, Idaho — Albertson's reported record sales of $2.19 billion for the second quarter ended Aug. 1, a 5.7 percent increase over the $2.07 billion in the comparable period a year ago.

Net earnings rose 10.9 percent for the quarter, to $58.7 million from $52.9 million, and operating profit gained 15 percent, to $93.8 million from $81.6 million. Same-store sales increased 1.4 percent.

For the first half, sales were $4.35 billion, a 6.6 percent gain over the $4.08 billion for the period last year. Net earnings rose 12.7 percent, to $117.3 million from $104.1 million. Same-store sales increased 2.5 percent.

Gross margin was 23.41 percent for the half, compared with 22.95 percent last year. The company said the increase was a result from improved retail store contributions and from distribution center efficiencies.

Albertson's said the second-quarter sales, while a record, were somewhat below expectations, and that it aimed to improve same-store sales and decrease operating expenses as a percent of sales during the second half.

Kmart reports 2nd qtr. gains

TROY, Mich. — Kmart Corp. reported gains in sales and earnings for the second quarter ended July 31.

Net income for the quarter rose 10 percent, to $162.8 million from $148 million in the same year-ago period. Second-quarter sales rose 8 percent, to $8.40 billion from $7.78 billion.

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Vol. 13, No. 18 Oct. 14, 1991

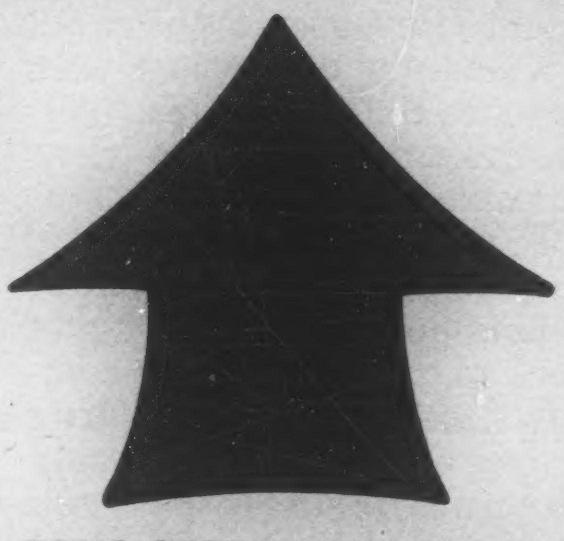
MARKET DIARY:

Largest Dollar Gainer	Carter-Wallace	$ 10.50
Largest Dollar Loser	Bristol-Myers Squibb	$ – 2.13
Largest Percentage Gainer	Halsey Drug	28.38%
Largest Percentage Loser	Walgreen Co.	– 5.70%

Advances	36
Declines	16
Unchanged	5
New highs	10
New lows	2

	Close 9/17/91	Close 10/1/91	Net Change	Percent Change
Drug Store News Index	4192.39	4357.03	164.64	3.93
Dow Jones Industrial Average	3013.19	3018.34	5.15	0.17
Standard & Poor's 500-Stock Index	385.50	389.20	3.70	0.96
N.Y.S.E. Composite	211.54	214.01	2.47	1.17
Value Line Index	239.48	242.29	2.81	1.17

Source: Nordby International Inc., Boulder, Colo.



DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 9/17/91	Closing Price 10/1/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.88	4.88	0.00	0.00	—	0.00	0.00	7.25	4.50
OTC	Arbor Drugs	ARBR	19.75	19.00	– 0.75	– 3.80	22	0.12	0.63	21.25	8.88
OTC	Big B	BIGB	12.00	13.75	1.75	14.58	24	0.16	1.16	14.50	4.75
OTC	Drug Emporium	DEMP	6.75	7.25	0.50	7.41	16	0.12	1.66	9.63	6.63
NYS	Fay's Inc.	FAY	11.13	12.50	1.38	12.36	18	0.20	1.60	15.75	7.25
ASE	Genovese Drug	GDX.A	12.88	12.88	0.00	0.00	15	0.24	1.86	13.88	5.00
NYS	Longs Drug Stores	LDG	37.50	38.63	1.13	3.00	14	1.08	2.80	44.38	30.88
OTC	Medicine Shoppe	MSII	22.25	23.88	1.63	7.30	19	0.32	1.34	28.75	15.50
NYS	Perry Drug	PDS	7.75	7.75	0.00	0.00	194	0.00	0.00	8.50	3.75
NYS	Rite Aid Corp.	RAD	23.00	22.00	– 1.00	– 4.35	16	0.48	2.18	23.88	15.50
NYS	Walgreen Co.	WAG	32.88	31.00	– 1.88	– 5.70	20	0.44	1.42	35.88	21.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	22.25	21.25	– 1.00	– 4.49	14	0.40	1.88	26.19	18.00
OTC	Bindley Western Ind.	BIND	15.13	15.75	0.63	4.13	15	0.04	0.25	18.13	8.63
OTC	Cardinal Distribution (s)	CDIC	36.80	38.50	1.70	4.62	35	0.04	0.10	38.50	16.41
OTC	Durr-Fillauer	DUFM	30.00	28.75	– 1.25	– 4.17	19	0.28	0.97	34.75	16.00
NYS	McKesson Corp. (H)	MCK	37.13	39.25	2.13	5.72	16	1.60	4.08	39.25	26.88
ASE	Moore Medical	MMD	4.75	4.88	0.13	2.63	—	0.00	0.00	9.25	3.50
NYS	Owens & Minor (H)	OMI	16.75	19.00	2.25	13.43	24	0.20	1.05	19.00	7.50
Manufacturer's transactions											
NYS	Abbott Labs	ABT	53.75	54.50	0.75	1.40	23	1.00	1.83	55.63	39.25
NYS	American Home Products (H)	AHP	66.88	69.38	2.50	3.74	17	2.28	3.29	72.25	44.00
ASE	Barr Laboratories (H)	BRL	27.00	32.50	5.50	20.37	57	0.00	0.00	34.38	6.00
NYS	Baxter International	BAX	34.38	33.50	– 0.88	– 2.55	17	0.72	2.15	37.13	23.88
OTC	Block Drugs Co.	BLOCA	54.25	54.00	– 0.25	– 0.46	18	0.80	1.48	57.50	29.63
ASE	Bolar Pharmaceutical	BLR	6.63	7.00	0.38	5.66	—	0.00	0.00	8.50	1.88
NYS	Bristol-Myers Squibb	BMY	86.13	84.00	– 2.13	– 2.47	23	2.40	2.86	87.88	57.13
NYS	Carter-Wallace (H)	CAR	80.13	90.63	10.50	13.10	26	1.00	1.10	90.88	46.25
ASE	Columbia Labs	COB	7.00	7.00	0.00	0.00	—	0.00	0.00	9.50	3.63
ASE	Forest Labs	FRX	32.13	32.00	– 0.13	– 0.39	33	0.00	0.00	43.63	19.88
ASE	Halsey Drug (H)	HDG	5.06	6.50	1.44	28.38	30	0.00	0.00	7.06	2.19
NYS	ICN Pharmaceutical	ICN	5.50	6.13	0.63	11.36	—	0.00	0.00	8.00	2.50
ASE	Lee Pharmaceutical	LPH	0.94	1.00	0.06	6.61	—	0.00	0.00	2.25	0.88
ASE	Leiner P. Nutrition	PLI	11.25	12.50	1.25	11.11	12	0.00	0.00	13.38	6.75
NYS	Lilly Eli Co.	LLY	81.13	80.25	– 0.88	– 1.08	19	2.00	2.49	85.13	65.63
NYS	Marion Merrell Dow (L)	MKC	28.88	28.75	– 0.13	– 0.43	15	0.92	3.20	39.63	28.50
NYS	Merck Co. (H)	MRK	131.75	131.13	– 0.63	– 0.47	26	2.52	1.92	133.25	74.75
NYS	Mylan Labs (H)	MYL	29.63	33.00	3.38	11.39	35	0.20	0.61	35.00	15.50
NYS	Pfizer Inc.	PFE	64.88	65.50	0.63	0.96	26	1.32	2.02	68.25	35.25
NYS	Pharmaceutical Resources	PRX	4.13	4.13	0.00	0.00	—	0.00	0.00	5.88	2.63
NYS	Rhone-Poulenc Rorer (H)	RPR	48.00	47.88	– 0.13	– 0.26	21	0.44	0.92	48.38	29.75
NYS	Schering Plough	SGP	55.88	57.38	1.50	2.68	21	1.32	2.30	58.63	40.75
NYS	Syntex Corp.	SYN	41.50	41.63	0.13	0.30	22	0.92	2.21	47.88	25.50
OTC	Taro-Vit Industries	TAROF	3.63	4.00	0.38	10.34	80	0.00	0.00	4.25	2.25
NYS	Upjohn Co.	UPJ	44.38	44.50	0.13	0.28	17	1.36	3.06	49.25	34.75
NYS	Warner-Lambert	WLA	70.00	71.63	1.63	2.32	18	1.76	2.46	82.25	56.50
OTC	Zenith Labs	ZENL	14.00	15.00	1.00	7.14	75	0.00	0.00	23.25	5.00
Other retailer transactions											
NYS	Albertson's	ABS	39.75	38.25	– 1.50	– 3.77	21	0.56	1.46	51.38	28.00
NYS	American Stores	ASC	35.75	36.63	0.88	2.45	9	0.68	1.86	46.19	21.31
NYS	Giant Food	GFS.A	22.50	23.25	0.75	3.33	12	0.64	2.75	31.25	22.00
NYS	Great Atlantic&Pacific Tea (L)	GAP	33.25	34.13	0.88	2.63	11	0.80	2.34	57.75	33.00
NYS	Kmart	KM	42.13	42.63	0.50	1.19	11	1.76	4.13	49.50	23.38
NYS	Kroger	KR	15.63	17.88	2.25	14.40	14	0.00	0.00	24.50	10.63
NYS	Melville Corp.	MES	47.13	47.50	0.38	0.80	14	1.44	3.03	55.25	32.75
OTC	Fred Meyer (H)	MEYR	21.75	23.00	1.25	5.75	15	0.00	0.00	23.50	10.00
NYS	Penney, JC	JCP	48.13	50.25	2.13	4.42	14	2.64	5.25	58.25	37.38
NYS	Safeway	SWY	16.38	19.00	2.63	16.03	18	0.00	0.00	21.63	10.25
NYS	Smith's Food & Drug	SFD	37.25	36.75	– 0.50	– 1.34	24	0.36	0.98	43.75	24.75
NYS	Wal-Mart	WMT	49.75	47.88	– 1.88	– 3.77	39	0.16	0.33	51.88	24.88

Note: Cardinal Distribution completed a 5-for-4 stock split.

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

C5150-2

The newspaper of drug store retailing

October 28, 1991

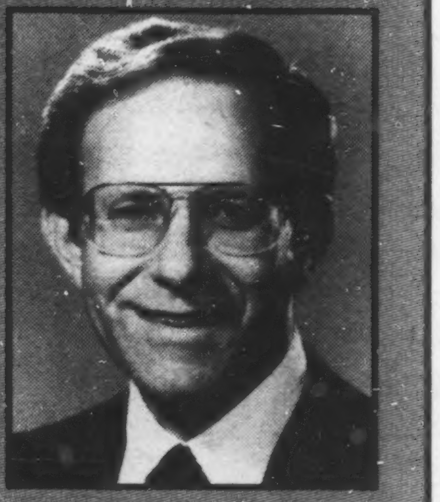
DRUG STORE NEWS

Vol. 13 No. 19

A Lebhar-Friedman publication

Perry will depart Chicago market

SUMMARY: Perry plans to pull out of Chicago to concentrate on its stronghold Michigan market. Fred Barney, formerly of Gray Drug, will buy 16 stores.


Robinson

By James Frederick

PONTIAC, Mich. — Perry Drug Stores will leave the Chicago market with the sale of 17 of its 21 Chicago-area drug stores late this month. The chain has agreed to sell 16 of those stores to an investment team headed by former Gray Drug Stores president Fred Barney, with the sale expected to be completed by Oct. 25.

Another Chicagoland store is being sold to its landlord. Perry is negotiating on the future of the four remaining Chicagoland units.

Seven of the stores are in Chicago itself, with the remainder scattered in suburban and outlying townships throughout the region.

The sale marks the end of a multistate market strategy for Perry—at least for the time being—and leaves the chain with 208 drug stores, all in Michigan.

See **Perry** *page 21*

Rich leaves Thrifty

By David Vaczek

LOS ANGELES — Eve Rich has resigned as Thrifty Drug's president because of a conflict in management styles with William Yingling, who was named Thrifty Corp. chairman and ceo in August, according to company sources and others.

Yingling, hired by Pacific Enterprises, the parent of Thrifty, to help spearhead a turnaround in the drug stores, said that Rich, 50, "decided to leave because of differences over management matters.

"We had hoped to work out our differences, but realized in the end it was a case of having different basic management styles," said Yingling, the 47-year-old former president of Lucky Stores' Southern California division.

In an apparent cordial parting, Rich said "the chain is on the right track and that its turnaround will succeed under Bill Yingling's leadership."

Some sources expressed surprise at the departure by Rich, who was the drug chain industry's highest-ranking woman, because PE executives expressed full support for her agenda to reorient the chain.

Yingling, a highly regarded executive, is seen as bringing a mass merchandising dimension to Thrifty, which boasts new senior merchants hired by Rich from the fashion industry where she had worked.

Rich

Yingling supports the new game plan, the company said. It draws from research on Thrifty's market role by a management consulting firm, and calls for more focused marketing, lower prices, new controls on operations, and development of a new store format. As of this month, 15 of the so-called "Lifestyle Stores" were opened. The plan remains to test the concept with 40 stores.

"[Their] differences aren't over the strategy, or Eve's ideas about target customers, changing the stores, or merchandise mix; the differences were over management matters," said Tom Sanger, a spokesman for the utility and retail company.

"We would have preferred not to have announced Eve's resignation; [the resignation]

See **Rich** *page 21*

LATE NEWS

MELVILLE, N.Y. - Genovese Drug Stores has opened its third Great American deep discount store, in Lindenhurst, Long Island. The site is a converted conventional Genovese store, and has 19,000 square feet of selling

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FEATURES

To service or not to service?

Having someone on hand to help customers may give chains a significant edge over the competition. **Page 11.**

Computers aid buying decisions

But *DrSN* survey also finds skeptics on computer benefits as chains develop POS and "expert systems." **Page 6.**

SECOND CLASS

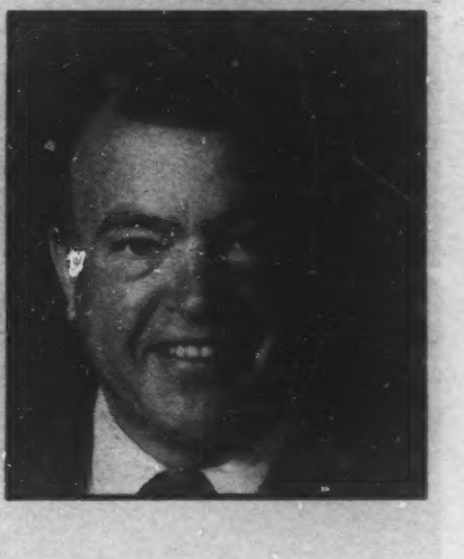
Drug Store News
Box 3116, Grand Central Station, New York, N.Y. 10164-0659

Walgreen caps 17th record year

Summary: Pharmacy—with double-digit gains—fueled Walgreen's growth this year. The chain believes that new store design elements will keep them at the forefront of the industry.

"Our pharmacy business again led sales growth by advancing 19.8 percent for the year. Pharmacy is 35 percent of our total sales, up from 23 percent just five years ago."

—Charles R. Walgreen III.



DEERFIELD, Ill. — Powered by heavy investments in technology, people and new and remodeled stores, Walgreen Co. drove sales and profits to record levels for the 17th year in a row in fiscal 1991.

The nation's top drug chain racked up double-digit gains in both sales and income for the year ended Aug. 31. Net earnings advanced 11.7 percent to $195.0 million for the year, with sales up 11.3 percent to $6.7 billion. Fourth-quarter profits rose 14 percent to $46.1 million on sales of $1.67 billion.

"Our pharmacy business again led sales growth by ad-

See **Walgreen** *page 21*

Walgreens at a glance

Sales	**$6.7 billion**
Net earnings	**$195 million**
Number of stores	**1,646**
States of operation	**29**
states and Puerto Rico	

Source: Walgreens

. . .and sets sights on Indianapolis market

DEERFIELD, Ill. — Walgreen Co. will enter the Indianapolis market next fall with the opening of 10 full-sized, freestanding drug stores. The stores—part of an aggressive, 110-store expansion program for 1992—will open in rapid succession, a company source indicated.

Details on specific store locations in this key Midwestern market aren't yet available. The move into Indianapolis will extend Walgreens' reach into Indiana, where the chain already operates more than 70 stores. The state was also the site of another new market entry in May of this year, when the chain opened six Walgreens RxPress stores in Evansville.

Those units, which feature pharmacies fronted by a scaled-down selection of OTC medicines in 2,000-square-foot ministores, are "exceeding expectations," the company noted in a recent report. Buoyed by their success, "Walgreen Co. is studying potential new markets for expansion," the report stated.

Despite—and perhaps in some locations because of—the moribund economy, Walgreens remains on an expansion tear. The chain opened or acquired 106 stores in fiscal 1991, ended Aug. 31, as well as a $43 million distribution center which opened in June in the Lehigh Valley, Pa.

"We expect to open 110

See **Indianapolis** *page 21*

NEWS IN BRIEF

Harris parent nixes stock sale

NEW YORK — The public stock offer by Rabco Health Services, Inc., parent of Harris Wholesale, has been indefinitely postponed, according to underwriter Bear, Stearns & Co.

Rabco hoped to sell 8.2 million shares of stock in an IPO at $13 to $15 per share to raise $105.8 million.

The capital was earmarked to reduce the company's leverage and interest burden, built when the company fueled sales growth by bank borrowing. Rabco's debt was reported at $89.4 million; fees and expenses were estimated at $16.4 million.

"No one wanted to buy the stock. We had to bring it down to $12 a share, and even then it wasn't selling," said Stephen Jaeger, of the Bear Stearns equities syndicate department.

NHMA cancels fall show

NEW YORK — The National Housewares Manufacturers Association (NHMA) has cancelled its 1992 fall show, and is scheduling just one show for the year.

The group's board of directors also voted to hold only one show a year as long as it faces soft demand for a second yearly event, NHMA officials said at a press conference here.

"The marketplace has spoken, and the board has listened," said Tom Conley, NHMA executive director.

"At the present time, it's clear that the industry support for the Atlanta show [planned for September 1992] just doesn't exist."

The move to one yearly show was sparked by declining vendor enrollment at the fall show and dwindling retailer attendance, Conley said.

Alco promotes three

MALVERN, Pa. — Alco Health Services Corp. named Robert McHugh as vp of marketing. He will work with manufacturers to develop national promotions and coordinate divisional marketing programs.

Ronald Robinson has been promoted to vp of merchandising, with responsibility for the corporate sales programs and the Family Pharmacy co-op's advertising program.

Daniel Dorsey has been promoted to vp of pharmacy programs. Dorsey will be responsible for multi-source product selection as well as administering Alco's generic and pharmaceutical repackaging program.

Chains push for charities

NEW YORK — After raising over $400,000 in its Ben Hogan Cleveland Open in June, Revco will sponsor the charity golf benefit again in 1992. Checks are going to charities including the Boys & Girls Clubs of Cleveland, Lake County United Way, and Ronald McDonald House of Cleveland.

Also, Thrift Drug raised $5,000 for the Literacy Volunteers of America and the Greater Pittsburgh Literacy Council with a No Nonsense pantyhose promotion, and Maple Drugs raised $850 for the Leukemia Society of Michigan.

Costs drop on coupon handling

NEW YORK — The number of coupons redeemed by consumers increased 35 percent to 7.3 billion last year from 5.5 billion in 1983, a study says.

The study found that coupons issued by vendors nearly doubled in the same period, to 279 billion from 150 billion. The study by Arthur Andersen & Co. was commissioned by the Food Marketing Institute, NACDS, the National Grocers Association, and other trade groups to assess the cost of handling manufacturers' coupons.

Lower clearinghouse fees and reduced cashier payroll rates have contributed to cutting the cost of coupon handling, the study found.

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Record-setting profits make Arbor growth golden

TROY, Mich. — Strong same-store sales gains, rapidly maturing newer stores and a sharp focus on its basic business continue to give Arbor Drugs record-breaking profits. Net income for the fiscal year ended July 31 was up 18.6 percent to $13.05 million.

Sales for the year were up 18.9 percent to $405.9 million, with stores open more than a year racking up 9.3 percent sales gains.

For the fourth quarter, net earnings were up 29.8 percent to $3.5 million on sales of $104.5 million. Chainwide sales for the period were up 17.7 percent, with same-store results showing a 7.9 percent increase.

"Fiscal 1991 was another year of distinction and achievement for [Arbor]," said chairman and ceo Eugene Applebaum. "This record-breaking performance again demonstrates our ability to achieve significant sales increases and the highest net profit percentage in the [publicly-held] chain drug store sector."

With 45 percent of its sales now coming out of the pharmacy, Arbor continues to base its strategy on a core drug store mix. HBA accounts for another 20 percent or more of sales, and photofinishing alone turns in 7 percent of total revenues. Greeting cards, candy, convenience foods, lottery tickets and other general merchandise round out the sales mix.

Applebaum said the 14 new stores opened in fiscal '91 were performing up to expectations. "Despite a slow economy, the drug store segment of the retail industry continues to be recession-resistant," Applebaum said.

Arbor plans to open another 20 units in the current fiscal year. The chain now operates 115 units in Michigan, and plans for 150 stores in the state by 1993.

In another recent development, Shearson Lehman Brothers has added Arbor to its list of recommended growth stocks.

"We view Arbor as the best positioned regional drug chain, that will provide investors with a consistency of earnings growth and better than average returns over the long-term," noted Shearson analyst Kimberly Walin in a Sept. 17 report.

Kmart system tracks customer traffic

SUMMARY: Kmart is testing a computer system that counts customers in the store. It can alert store management to traffic patterns and may be a sales boosting tool.

By Barbara White

TROY, Mich. — If Kmart's new scanning system works well, customers won't have to waste another minute standing in long checkout lines or searching for a salesperson when they could be purchasing merchandise.

The discount department store chain—along with Fairfield, N.J.-based Datatec Industries—has developed a system that can track customer traffic and alert managers when departments need additional sales help. The system, called ShopperTrak, is being pilot-tested at Kmart's Westwood, N.J. store. It is the first site in the country to use such technology.

ShopperTrak uses infrared light beamed from ceiling-mounted scanners to create fields in which customer movement can be detected.

hank You for shopping

Kmart's new ShopperTrak system will track shopper traffic and alert management when more sales should be dispatched to departments. The discounter hopes the system will help convert browsers to buyers.

Eight scanners are in use at the Westwood location. One, located at the door, allows the retailer to track the number of customers entering and exiting the store. The others track traffic throughout the store.

"Through ShopperTrak we will not only improve service in the store on a minute-by-minute basis, but we will also be able to compare customer count information with point-of-sale data," said David Carlson, senior vp-corporate information systems. "This will allow us to do several things better—predict customer traffic, schedule our sales associates, assess the value of specific in-store advertising—

Continued on page 21

Cancer benefit kicked off

OTC and HBA executives attended a kickoff party for the Skin Cancer Foundation's "Night on the Town," a gala benefitting the Foundation scheduled for Nov. 21.

Committee members (r to l): Victor Gauder, sr. vp-sales, Chesebrough-Pond's; Elvin Francis, exec. vp, Premium Sales; Eli Cohen, president and chief operating officer, Duane Reade and Foundation secretary-treasurer, Toney McCollum, vp-trade development, Duracell, USA; and Harry Hart, senior vp, Revlon.

Also present at the meeting: Bob Hannan, president and chief operating officer, Thrift, benefit general chairman, and Joe DeKama, president, J.D. Cosmetics and Foundation chairman.

Two chains find what works & stick with it

IN THE MARKET
BRUCE BUCKLEY

Like the cooling breeze, the performance of two leading chain drug players—Walgreens and Arbor—provided welcome relief in a summer marked by the highs and lows of an uncertain economy.

Around the country there are drug chains that are managing to weather the problems caused by consumer anxieties. Some chains are even thriving. But none is doing better than Walgreens and Arbor, who reported their year-end results this month.

Though the two chains are vastly different in scope, they share many retail principles and approaches. It is those principles and approaches that are at the heart of their strength, and neither chain makes a secret of them. These principles are simple, basic retailing combined with a healthy dose of modern technology.

What is hard—and what Walgreens and Arbor do so well—is the execution:

- They stick to the product mix that customers expect from them and promote those expectations heavily. That means prescriptions and OTC drugs, cosmetics and toiletries, greeting cards and photo and consumables and limited general merchandise.
- They pay close attention to their changing customer mix so they are not left high and dry when demographic tides shift in their various markets.
- They use technology and improved information gathering to buy smart and smooth the flow of goods to their stores. Turnover benefits, and so does cash flow.
- They do "alliance-building" with suppliers, but in a measured and hard-headed business way.
- They invest in stores, keeping the look fresh, and they increase their presence in markets that make sense to them.
- They don't try to be price leaders; instead, they rely on promotion, efficient service and convenience to draw customers.
- Most important, they make their employees feel that they're a crucial part of a winning team.

This last point was emphasized by Michael J. O'Connor in a recent, throughtful article on "Lean Retailing: An Idea That Could Make a Revolutionary Change", published by Arthur Anderson's *International Trends in Retailing* last spring.

O'Connor, a retail consultant for Anderson and former president of the Super Market Institute (predecessor to FMI), wrote about the importance of empowering employees. "People want to feel that they matter. People want to feel that what they do has some importance and that they can progress. And people find it hard to work for a person or company they do not respect." Respect for employees and customers is a given at Walgreens and Arbor.

Congress' illegal alien legislation backfires

WASHINGTON PERSPECTIVE
KEN RANKIN

Congressional "immigration reformers" are beginning to acknowledge that they made a serious mistake five years ago by approving legislation holding drug stores and other employers legally responsible for screening illegal aliens out of the workforce.

But, just as Congress begins debate on a new bill to repeal those controversial employer sanctions, officials at the Immigration and Naturalization Service (INS) are talking up proposals of their own that would create even greater compliance hassles for the industry.

That law at the center of the controversy—the Immigration Reform and Control Act (IRCA) of 1986—shifted the burden of policing the nation's immigration laws from the federal government to private employers.

For the last five years, that law has required employers to verify the immigration status of all new hires and to maintain records to document that they did obtain the appropriate evidence from incoming employees.

Additionally, IRCA leaves businesses vulnerable to stiff federal penalties for violations of these requirements—including minor paperwork infractions.

Still another provision establishes government sanctions for employers who implement the law in a way that results in job discrimination against individuals who look or sound foreign.

Now, after five years, it's clear to many that employer hiring sanctions have failed to curb illegal immigration and businesses have been subjected to costly paperwork and recordkeeping burdens unnecessarily.

"Illegal aliens continue to pour into this country," and "a cottage industry in counterfeit and fraudulent documents has flourished" because of IRCA, said Sen. Orrin Hatch (R-Utah), the point guard for the bipartisan effort to repeal the employer sanctions.

Sen. Edward Kennedy (D-Mass.), a co-sponsor of Hatch's repeal bill, openly admits that "Congress made the wrong move" in enacting employer sanctions. "We aimed at illegal aliens—but we hit law-abiding Americans, and it's time to correct our mistake."

Despite support for the repeal legislation from all points on the political spectrum, federal bureaucrats responsible for policing the employer sanctions aren't getting the message.

Indeed, INS is considering plans to grant immigration agents sweeping new powers to subpoena records from business in order to measure employer compliance with the controversial hiring rules.

You figure it.

Letter To The Editor

Dear editor:

We appreciate very much the column by James Frederick (*Drug Store News*, Sept. 9, 1991) which detailed some of the work being done by Thresholds in cooperation with Walgreens and Chicago employers. The drug and alcohol abuse mentioned in the column accurately describes the condition of some of our members. However, the basic issue is mental illness, not substance abuse, as your article implies.

All of our members suffer from one type of mental illness or another. By recognizing this and treating the illness with medication, counseling, meaningful employment and support, Thresholds helps these individuals overcome their secondary substance abuse problems.

We appreciate your coverage and the fact that you point out how well people can recover from mental illness and its symptoms. Understanding the problems of mental illness is the first step in overcoming them. Recognizing the value of meaningful employment is also a key step for many of our members.

Jerry Dincin, Ph.D.
Executive Director
Thresholds

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Better computer systems let chains stay competitive

By David Vaczek

As drug chains erect the technology structure that will be crucial for their parity with other mass merchants, drug chain merchandise managers report that computer systems are making a bottom-line difference today.

Space management systems and buying software—which interprets sales history and buying variables to calculate the best purchase order for a particular item—are among systems that buyers say have provided better information and led to improvements in sales, profits and cost controls.

These are some major findings of this fall's exclusive *Drug Store News* survey on decision-making by buyers.

Buyers rank their seven most important sources for making buying decisions

1. **Reports on warehouse shipments to stores.**
2. **Reports on stores' demand at warehouse.**
3. **Sales and inventory analysis by store, department and class.**
4. **Sales data through scanning from a sample of stores.**
5. **Sales scan data from most or all stores.**
6. **Reports on inventory falling below set minimums.**
7. **Plan-versus-actual analysis.**

Source: *Drug Store News* Survey on Buying Decisions.

Reliance on third-party sources for information is undiminished, respondents said, as their reports help merchants relate their own chain's movement with the performance of products in their marketplace and nationally.

The senior-level merchants who responded felt quite strongly that computer systems have had an impact on buying and merchandising. Ninety-five percent of them said they are receiving "better information" for making decisions.

Competitive edge?

Yet, drug chains as a group are trailing behind the most advanced mass merchant rivals in implementing leading-edge computer systems, which are being developed to support Quick Response business methods, according to the survey and interviews. Quick Response seeks to provide higher sales through better customer service, and at the same time, provide higher profits through more efficient inventory control, aided by technology such as UPC coding and electronic data interchange (EDI).

While 95 percent said better information is available, only 65 percent said they could link it to a healthier bottom line. They apparently held some skepticism about the value of the new information.

That skepticism was underlined by the respondents' answers on the value of computers. Although 45 percent said that computers have helped improve category results "very much," a significant amount—53 percent—categorized their impact as advancing performance only "somewhat" or "slightly."

Drug chains fall behind Wal-Mart, Kmart and the most innovative supermarket operators in the use of POS scan data and in the "expert systems."

"Expert systems"

A true expert system uses expert system technology, which allows weighing qualitative factors in arriving at a conclusion, and solves problems "like a human would solve them."

But so-called "knowledge-based" systems and "decision support" systems can be similar to expert systems in that they employ rules that help the user make the best decision. They help the retailer preserve critical expertise such as senior merchants' knowledge.

Two chains see profits

Drug chains are adopting new computer systems with measurable results on profits.

A new computer system will simplify buying at Pay Less Drug Stores when unrolled this month. Drawing on daily product movement data, buying software will work overnight to provide a suggested purchase order that meets preset objectives such as service levels and ROII goals.

The "forecasting software" will save a replenishment buyer about two hours of manual labor while maximizing profits, says Keith Jelinek, Pay Less' director of merchandising. "That will be our sole source. We're going to trust the system," he said.

Though all Pay Less stores this year have sales-capturing POS scanning, the buying system initially will forecast inventory needs based on a five-year history of warehouse-to-store shipments. Pay Less lacks scan data history, and isn't set up to pull the data daily from the stores, Jelinek said.

* * *

A major Midwest drug chain has built productivity with space management software. Inventory turns and per-square-foot profits climbed as the system helped buyers weigh item performance within a department and recommend the best shelf layout.

The system is fed with warehouse withdrawal data downloaded from a mainframe. This chain has no scanning. Planogrammers, meanwhile, keep abreast of hot new items the chain doesn't carry through "improved" 60-day reports from a sales auditing service, according to a chain source.

Are you receiving better information for making buying decisions?	
Yes	**95%**
No	**5**

. . . and has this resulted in measurable improvements in sales, profits and cost control?	
Yes	**67%**
No	**28**
No answer	**5**

Source: *Drug Store News* Survey on Buying Decisions.

For the most part, they aren't tracking sales through POS scanning and using that as the basis for buying and inventory control. Buyers primarily use reports on warehouse demand or warehouse shipments, named by 64 percent and 84 percent respectively as sources of buying decision information.

Scan data

Scan data is being used, but not as a primary source in buying and inventory control. Scan data from "most or all stores" was said to be a source of information by only 26 percent. Scan data from a sample of stores was cited as a source by 47 percent.

"I don't think anyone is cutting orders based on sales through the register," says one drug chain MIS observer.

Yet, Revco just started doing just that in buying for the back-to-school season this year. Purchase orders and product distribution to stores was based on sales data from POS scanning, which has been in all Revco stores since last year, said John Szabo, vp of MIS.

Revco has used warehouse withdrawal data in a computer buying system; it's moving to one that will use POS data, said Szabo.

UPC-code scanning in stores is key to an optimal computer system for controlling merchandise, because POS scanning gives accuracy and timeliness on item movement not otherwise available.

In using warehouse demand data in buying, "the onus is on the user to realize that it's not true store [sales], and to make adjustments. There's always the danger that the store demand isn't reflecting actual sales," says Terry Donofrio, president, Retail Systems and Services in Waldwick, N.J.

Also, computer programs for analyzing sales, such as expert systems, for example, to be most effective, need POS scanning's accuracy on item movement, Donofrio said.

Vendor responsibilities

Wal-Mart and Kmart both use scan data for inventory control and buying, as they implement Quick Response programs. Wal-Mart, along with such vendors as Procter & Gamble, has pushed automatic replenishment to new levels by giving the vendors responsibility for their inventory in Wal-Mart warehouses. Data on items' sales captured from POS scanning is sent to P&G via EDI.

Kmart, in another example, recently rolled out its CLAS system, used by buyers to assign products to stores based on actual sales. Of course, POS scanning, completed in all stores in November 1990, drives this decision support system.

Expert-like systems

The survey indicates that drug stores as a group are trailing the leaders in retail automation in another area—expert systems. No respondent indicated his chain uses them. Yet, some drug chains are developing software that will provide expert system-like functions, which analysts say the major discounters and supermarkets are developing as well.

"Any retailer can use off-the-shelf software. Expert systems are where firms can gain strategic advantage," says David Fineman, senior manager, Deloitte & Touche.

"It's virtually impossible for a buyer today [for example] to look at all the categories, prices [and other variables], and figure out how to position products," Fineman adds.

An expert system can "highlight exceptions" in products or trends that a buyer should examine, and "take the buyer out of normal repetitive replenishment," which can be handled automatically, says George Wohlpart, Jr., senior marketing administrator of drug stores at IBM. The buyer, says Wohlpart, is free to focus on selection and promotion of merchandise.

Walgreens' merchandise control system, SIMS, which is under development, will have aspects of an expert system. SIMS will give the buyer "visibility into the entire merchandise pipeline" in the stores, marketing department and warehouses.

But more importantly, the software will "allow buyers to analyze item movement, pinpoint over- and under-buys and react quickly to sales trends and buying opportunities," says a company description of SIMS.

Revco's Szabo said the chain is "keenly interested" in providing software that helps buyers "make the right buying decisions."

Yet, "we have far simpler problems that are dealt with better with traditional software that hones the delivery of information," said Szabo.

Continued on page 8

How often do you generally follow the recommendations of software?	
Very closely	**16%**
Closely	**26**
Not too closely	**21**
Not at all	**5**
No answer	**32**

Source: *Drug Store News* Survey On Buying Decisions.

Methodology box

The buying decision survey was sent to merchandise managers at the nation's 50 highest-volume drug chains. The eight-page questionnaire asked managers what data's used in making buying decisions and whether better information improves bottom-line performance.

Twenty chains returned completed forms, giving a 40 percent response rate. Among the respondents—some of whom answered anonymously—were at least nine of the top 15 chains.

Better computer systems provide competitive edge

Very much	**45%**
Somewhat	31
Slightly	**20**
Not at all	4

Source: *Drug Store News* Survey on Buying Decisions.

1. Inventory control	**79%**
2. Sales and inventory analysis	68
3. Pricing analysis	**68**
4. Gross margin analysis	68
5. Space management	**58**
6. Buying software	58
7. Automatic replenishment	**53**
8. Merchandise planning	53

Source: *Drug Store News* Survey on Buying Decisions.

Continued from page 6

Expert systems that address pricing have become a high priority at supermarkets, which have significantly boosted planned implementation of such systems overall since last year, according to the 1991 Advanced Merchandising Technology Survey of supermarkets and food wholesalers, by Deloitte & Touche.

Pricing is seen as the highest opportunity area, a view that "represents a greatly increased awareness of the need to develop more effective and profitable pricing strategies," the consulting firm said.

Supermarkets are also planning more heavily for the use of expert systems in promotion and assortment planning and in planogramming, the study found. Expert system use was planned by 65 percent, compared with 36 percent last year, the firm said.

Wal-Mart and Kmart are using expert systems mostly in non-merchandising areas such as labor scheduling and hiring, but will eventually employ them in merchandising and inventory managment, said Fred Schneider, director of consumer packaged goods programs, Andersen Consulting, Chicago.

"The merchandising job is far more complex, and capturing and codifying that information will be more difficult," said Schneider.

The anticipated benefits of retail systems are large. Mass merchants as a class should achieve annual average savings of 5.3 percent of sales as they increase sales, improve turns and accrue other savings from technology, according to Andersen Consulting.

In supermarkets, 60 percent of the grocery respondents in Deloitte & Touche's study said that advanced merchandising technologies will add from 0.5 to 2 percent of sales on the bottom line for them.

That drug chains have much to gain was vividly illustrated this year when a senior Walgreens executive predicted that SIMS will allow the chain to slash projected inventory for the year 2,000 by a whopping $3 billion—a more than 50 percent cutback.

The *DrSN* survey shows that buyers lean heavily on reports from external sources in decision-making. Ninety-five percent use vendor reports and 84 percent use third-party data. Nielsen's ScanTrack service is used by 100 percent of respondents, Towne-Oller reports by 88 percent and Information Resources' (new to the drug market) reports by 19 percent.

The data from the sources that is most used is on product movement in the market and nationally.

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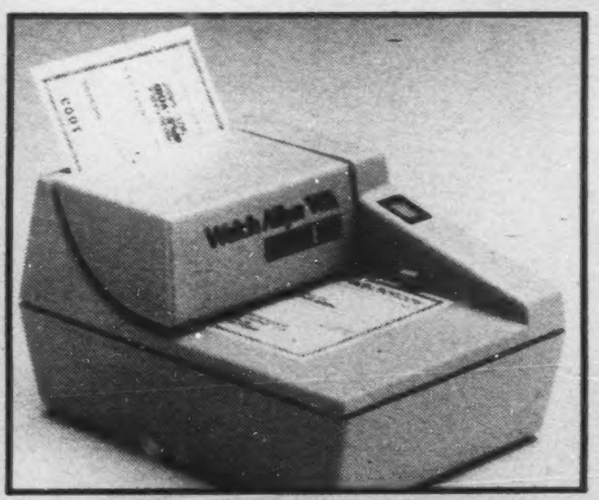

POS check reader is accurate, affordable

Welch Allyn's SCANTEAM 8000 MICR Check-Reader reads checks magnetically, accurately and affordably.

Check read, decode and transmit time is only one second with first pass read rate at 98 percent. The scanned MICR data is forwarded to the POS store system where it can be compared to a data base file and either accepted or rejected for payment. It reads the entire MICR line, allowing the retailer to access shared negative verification files without concern for "false hits" caused by incomplete or inaccurate data.

Interface is RS232 and hand held output with E13B MICR support. CMC7 support will be available at a later date.

Priced at $595, CheckReader weighs only about a pound and is available immediately.

Welch Allyn, Inc., Retail Systems, 4619 Jordan Rd., Skaneateles Falls, N.Y. 13153. (315) 685-2815.

Quick response system targets suppliers

The Geneva Group has introduced the Supplier Quick Response System (SQUIRE). The package allows distributors and manufacturers to implement and manage Quick Response relationships with retail customers.

It provides the necessary EDI document handling, order generation, stock modeling, sales analysis and interface with order processing and invoicing systems needed by suppliers.

The Geneva Group Inc., 978 Industry Dr., Ste. 210, Seattle, Wash. 98188. (206) 575-0331.

Security label protects cigarettes from theft

Checkpoint Systems introduces a newly designed disposable, deactivatable security label to protect cigarette cartons from shoplifters.

The 410 Series label is a combination hang tag and label. Pressure-sensitive adhesive secures the label to the open end of the carton. It is available in plain or bar code configurations and is compatible with Checkpoint's complete line of sensors and deactivation units.

Checkpoint Systems, Inc., 550 Grove Rd., P.O. Box 188, Thorofare, N.J. 08086. (609) 848-1800.

Drug Emporium logs second quarter loss

COLUMBUS — Reserves for store closings and correcting an error that skewed the gross margin cost $3.2 million, causing Drug Emporium to post a loss in the second quarter ended Aug. 31.

The chain reported a net loss of $2.73 million, or 21 cents a share, compared with net income in last year's second quarter of $2.2 million, 17 cents a share.

The company had predicted the loss after it discovered that an outside auditing firm had been overestimating store inventories in certain products, causing a one half percent error in the gross margin.

To compensate for the shortfall in projected profits, ceo Gary Wilber said that cost-cutting measures would be set. Also, store openings scheduled for 1992 would likely be cut in half. The store closing charge stems from the chain's exit from Jacksonville, Fla.

The loss puts the chain in the red for the first six months with a $1.73 million loss, compared with a $4 million net profit in last year's first half.

Total sales are climbing fast because of an aggressive expansion program; but the recession has dampened same-store results, Wilber said.

Second quarter and six-month sales are both up 26 percent, with half-year sales at $363.7 million. The chain has 117 stores, 30 new stores in the last 12 months.

Same-store sales increased only 2.5 percent in the second quarter "well below Drug Emporium's historic level and reflecting the recession's continuing impact. . .," the company reported.

"We are reasonably confident that. . .earnings will begin to improve during the second half. . .," Wilber said.

The board declared a cash dividend to maintain the annual payout at 12 cents per share.

Krelitz Industries reports first quarter net loss

MINNEAPOLIS — Krelitz Industries, the Midwest wholesaler, reported a net loss for the first quarter ended July 31, of $242,000. It compares with net income of $238,000 in the 1990 first quarter.

Net sales from continuing operations for the quarter were $61.47 million, compared with $61.58 million last year.

Krelitz said that sales increases from existing and new customers in drug distribution "mitigated the loss of a significant customer." A loss from continuing operations in the first quarter was caused in part by increased operating and interest expenses.

Management is focusing harder on asset management. Inventory turns for the quarter were 13 times, compared with 9.9 turns in fiscal 1991. And accounts receivable days outstanding improved from 24 days to 20 days in those respective periods, management said.

Earnings increase at Big B for second quarter and first half

BIRMINGHAM, Ala. — Continued improvement in gross margins and expenses contributed to earnings growth at Big B, Inc. during the second quarter ended August 3.

Earnings were $972,000 compared with a loss of $3.3 million in last year's comparable quarter. Six-month earnings are $2.88 million, compared with a loss of $2.9 million in last year's first half.

Despite the closing of eight under-performing stores during the year, the chain reported sales for the quarter and half year at $106.8 million and $239.4 million respectively, compared with $101.2 milion and $224.1 million last year.

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Vol. 13, No. 19 Oct. 28, 1991

MARKET DIARY:

Largest Dollar Gainer	Carter-Wallace	$ 10.88
Largest Dollar Loser	Great Atlantic&Pacific Tea	$ – 3.25
Largest Percentage Gainer	Columbia Labs,ICN Pharm	14.29%
Largest Percentage Loser	Lee Pharmaceutical	– 12.50%

Advances	32
Declines	23
Unchanged	4
New highs	11
New lows	3

	Close 10/1/91	Close 10/15/91	Net Change	Percent Change
Drug Store News Index	4351.45	4396.12	44.67	1.03
Dow Jones Industrial Average	3018.34	3041.37	23.03	0.76
Standard & Poor's 500-Stock Index	389.20	391.01	1.81	0.47
N.Y.S.E. Composite	214.01	214.90	0.89	0.42
Value Line Index	242.29	241.27	– 1.02	– 0.42

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 10/1/91	Closing Price 10/15/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.88	4.88	0.00	0.00	—	0.00	0.00	6.88	4.50
OTC	Arbor Drugs	ARBR	19.00	19.00	0.00	0.00	21	0.12	0.63	21.25	8.88
OTC	Big B	BIGB	13.75	12.63	– 1.13	– 8.18	22	0.16	1.27	14.50	4.75
OTC	Drug Emporium	DEMP	7.25	7.38	0.13	1.72	105	0.12	1.63	9.63	6.63
NYS	Fay's Inc.	FAY	12.50	12.00	– 0.50	– 4.00	17	0.20	1.67	15.75	7.25
ASE	Genovese Drug	GDX.A	12.88	13.50	0.63	4.85	16	0.24	1.78	13.88	5.00
NYS	Longs Drug Stores	LDG	38.63	36.88	– 1.75	– 4.53	13	1.08	2.93	44.38	30.88
OTC	Medicine Shoppe	MSII	23.88	23.50	– 0.38	– 1.57	19	0.32	1.36	28.75	15.50
NYS	Perry Drug	PDS	7.75	7.13	– 0.63	– 8.06	178	0.00	0.00	8.50	3.75
NYS	Rite Aid Corp.	RAD	22.00	21.88	– 0.13	– 0.57	16	0.48	2.19	23.88	15.50
NYS	Walgreen Co.	WAG	31.00	31.75	0.75	2.42	20	0.52	1.64	35.88	21.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	21.25	21.88	0.63	2.94	15	0.40	1.83	26.19	18.09
OTC	Bindley Western Ind.	BIND	15.75	16.25	0.50	3.17	15	0.04	0.25	18.13	8.63
OTC	Cardinal Distribution (H)	CDIC	38.50	36.25	– 2.25	– 5.84	33	0.04	0.11	38.75	16.81
OTC	Durr-Fillauer	DUFM	28.75	30.00	1.25	4.35	20	0.28	0.93	34.75	17.00
NYS	McKesson Corp. (H)	MCK	39.25	38.25	– 1.00	– 2.55	15	1.60	4.18	39.75	26.88
ASE	Moore Medical	MMD	4.88	4.38	– 0.50	– 10.26	—	0.00	0.00	9.25	3.50
NYS	Owens & Minor (H)	OMI	19.00	20.50	1.50	7.89	26	0.20	0.98	21.13	7.50
Manufacturer's transactions											
NYS	Abbott Labs	ABT	54.50	55.13	0.63	1.15	22	1.00	1.81	55.63	39.25
NYS	American Home Products (H)	AHP	69.38	74.00	4.63	6.67	18	2.28	3.08	74.00	44.50
ASE	Barr Laboratories (H)	BRL	32.50	36.38	3.88	11.92	64	0.00	0.00	37.50	6.00
NYS	Baxter International	BAX	33.50	33.75	0.25	0.75	17	0.72	2.13	37.13	24.88
OTC	Block Drugs Co.	BLOCA	54.00	52.75	– 1.25	– 2.31	17	0.80	1.52	57.50	29.63
ASE	Bolar Pharmaceutical	BLR	7.00	7.38	0.38	5.36	—	0.00	0.00	8.50	1.88
NYS	Bristol-Myers Squibb	BMY	84.00	83.50	– 0.50	– 0.60	23	2.40	2.87	87.88	57.13
NYS	Carter-Wallace (H)	CAR	90.63	101.50	10.88	12.00	29	1.00	0.99	101.50	46.25
ASE	Columbia Labs	COB	7.00	8.00	1.00	14.29	—	0.00	0.00	9.50	3.63
ASE	Forest Labs	FRX	32.00	34.25	2.25	7.03	36	0.00	0.00	43.63	19.88
ASE	Halsey Drug	HDG	6.50	6.94	0.44	6.74	32	0.00	0.00	7.06	2.19
NYS	ICN Pharmaceutical	ICN	6.13	7.00	0.88	14.29	—	0.00	0.00	8.00	2.50
ASE	Lee Pharmaceutical	LPH	1.00	0.88	– 0.13	– 12.50	—	0.00	0.00	2.25	0.88
ASE	Leiner P. Nutrition (H)	PLI	12.50	13.50	1.00	8.00	13	0.00	0.00	13.50	6.75
NYS	Lilly Eli Co.	LLY	80.25	78.50	– 1.75	– 2.18	19	2.00	2.55	85.13	65.63
NYS	Marion Merrell Dow (L)	MKC	28.75	29.50	0.75	2.61	15	0.92	3.12	39.63	27.25
NYS	Merck Co.	MRK	131.13	130.75	– 0.38	– 0.29	26	2.52	1.93	133.25	75.38
NYS	Mylan Labs (H)	MYL	33.00	35.13	2.13	6.44	37	0.20	0.57	35.13	15.50
OTC	Nutramax Products	NMPC	7.00	7.13	0.13	1.79	29	0.00	0.00	8.00	0.88
NYS	Pfizer Inc.	PFE	65.50	65.88	0.38	0.57	26	1.32	2.00	68.25	35.38
NYS	Pharmaceutical Resources	PRX	4.13	4.00	– 0.13	– 3.03	—	0.00	0.00	5.88	2.63
NYS	Rhone-Poulenc Rorer (H)	RPR	47.88	48.00	0.13	0.26	21	0.44	0.92	49.00	29.88
NYS	Schering Plough (H)	SGP	57.38	59.25	1.88	3.27	21	1.32	2.23	59.25	40.75
NYS	Syntex Corp.	SYN	41.63	42.38	0.75	1.80	22	0.92	2.17	47.88	26.00
OTC	Taro-Vit Industries	TAROF	4.00	4.00	0.00	0.00	80	0.00	0.00	4.25	2.25
OTC	Teva Pharmaceutical Ind.	TEVIY	19.50	18.00	– 1.50	– 7.69	18	0.16	0.89	20.25	10.00
NYS	Upjohn Co.	UPJ	44.50	43.63	– 0.88	– 1.97	16	1.36	3.12	49.25	34.75
NYS	Warner-Lambert	WLA	71.63	72.00	0.38	0.52	18	1.76	2.44	82.25	59.50
OTC	Zenith Labs	ZENL	15.00	16.50	1.50	10.00	83	0.00	0.00	23.25	5.00
Other retailer transactions											
NYS	Albertson's	ABS	38.25	37.38	– 0.88	– 2.29	20	0.56	1.50	51.38	28.75
NYS	American Stores	ASC	36.63	38.50	1.88	5.12	10	0.68	1.77	46.19	21.31
NYS	Giant Food (L)	GFS.A	23.25	23.63	0.38	1.61	12	0.64	2.71	31.25	21.75
NYS	Great Atlantic&Pacific Tea (L)	GAP	34.13	30.88	– 3.25	– 9.52	10	0.80	2.59	57.75	30.00
NYS	Kmart	KM	42.63	42.63	0.00	0.00	11	1.76	4.13	49.50	23.38
NYS	Kroger	KR	17.88	18.50	0.63	3.50	15	0.00	0.00	24.50	10.88
NYS	Melville Corp.	MES	47.50	45.38	– 2.13	– 4.47	14	1.44	3.17	55.25	33.88
OTC	Fred Meyer (H)	MEYR	23.00	23.25	0.25	1.09	15	0.00	0.00	24.75	10.00
NYS	Penney, JC	JCP	50.25	50.00	– 0.25	– 0.50	14	2.64	5.28	58.25	38.50
NYS	Safeway	SWY	19.00	18.88	– 0.13	– 0.66	15	0.00	0.00	21.63	10.25
NYS	Smith's Food & Drug	SFD	36.75	36.38	– 0.38	– 1.02	24	0.36	0.99	43.75	25.13
NYS	Wal-Mart	WMT	47.88	48.38	0.50	1.04	39	0.16	0.33	51.88	24.88

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

DRUG STORE NEWS for the PHARMACIST

VOL. 1/NO. 10 The Journal of Retail Pharmacy OCTOBER 28, 1991

NEWS FOCUS

- A second antiretroviral drug is now available for adult and pediatric AIDS patients who are seriously ill and have no therapeutic alternative. Videx (didanosine or ddI) has been tested in more than 30,000 patients with advanced human immunodeficiency virus (HIV) who are intolerant to or not benefiting from AZT (zidovudine). Many treated patients have shown an increase in T4-helper cells and lower levels of p24 antigen (which indicates the presence of HIV), without the significant bone marrow suppression seen with AZT. The manufacturer, Bristol-Myers Squibb, has priced Videx to retail at less than $2,000 per year. The Videx Reimbursement Helpline (1-800-662-7999) provides a computer search and advocacy for probable sources of funding for treatment.
- Forecasters at Chicago's SMG Marketing Group predict that the number of operating HMOs will decline from 614 to 580 over the next two years. The bad news is that HMO enrollment is expected to continue climbing at an annual rate of 9 percent for the next three years.

FEATURES

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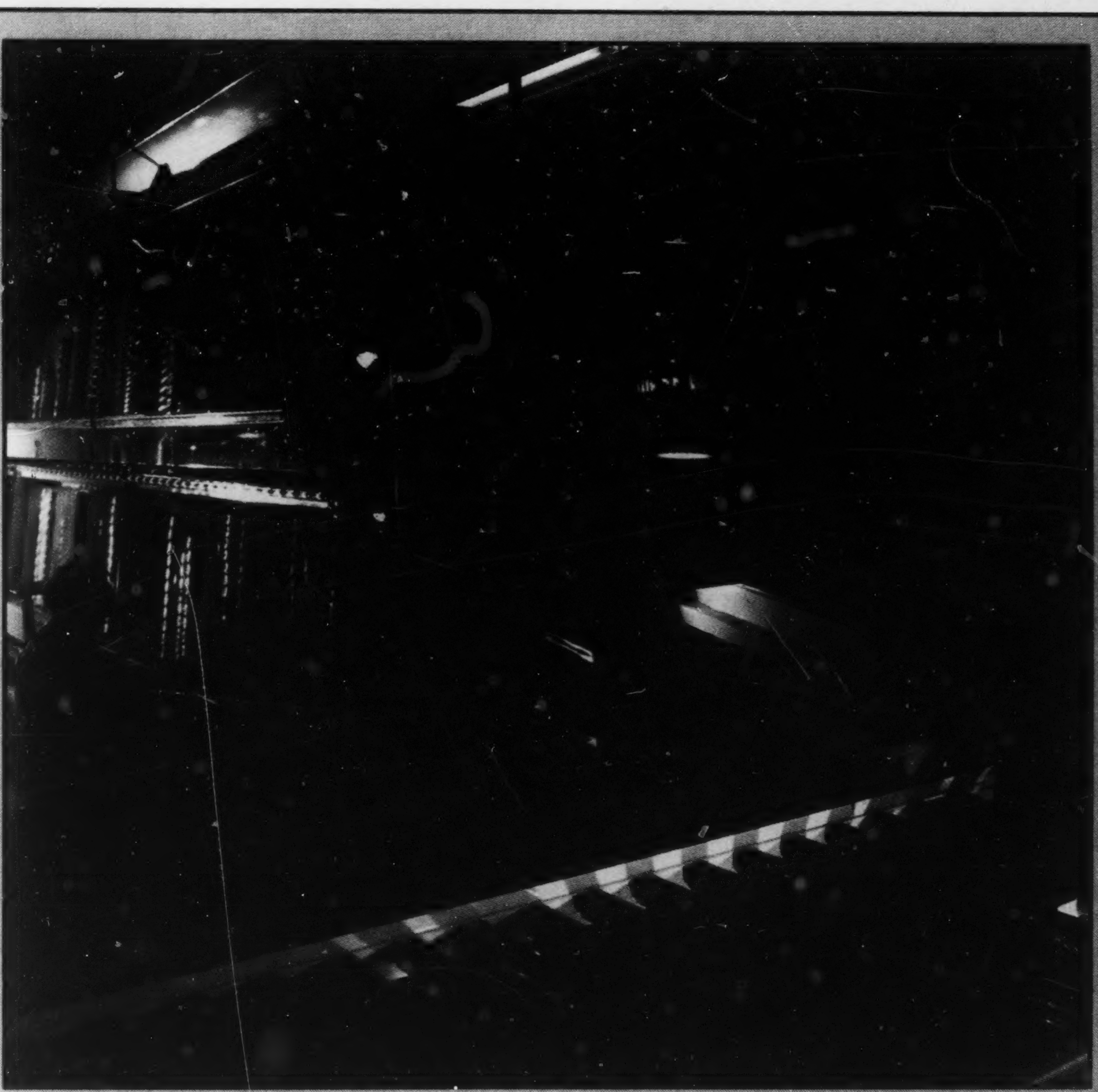


McKesson's Automated Picking System (MAPS) in St. Louis can handle 10,000 pieces per hour.

1990: A banner year for drug wholesalers

While 1990 was the best year ever for drug wholesalers, with higher sales and gross margins and lower operating expense as a percent of sales, there are clouds on the horizon. The industry fears they may be approaching maximum efficiency, while competition for market share intensifies and margins destabilize because of fewer manufacturer price increases. Drug Store News For the Pharmacist profiles the industry and its top players, who discuss improved technology, the effect of biotechnology on their product mix and opportunities for the 1990s, beginning on page 14.

Retiree script plans may be too costly

Private sector and government third-party experts fear that soaring health care costs will force employers to reduce or eliminate prescription drug benefits for retirees.

A study by PCS found that the average annual Rx cost for employed individuals is now between $37 and $180. The cost for retired Americans is three times as much: an average of between $240 and $535. The Congressional Budget Office (CBO), meanwhile, issued a study showing that six out of 10 senior citizens have no outpatient prescription drug coverage. The fortunate ones with Rx benefits through retiree health plans "are at risk of losing this protection because of rapidly rising health care costs," CBO warned.

The best price scheme has begun to unravel

The controversial new system of requiring pharmaceutical manufacturers to offer their "best prices" on drugs to Medicaid is already beginning to unravel.

Instead of sharply lowering Rx prices to Medicaid, pharmaceutical manufacturers responded to the "best price" mandate by eliminating "giveaway" prices to the Department of Veterans Affairs. That's poetic justice to retail pharmacists who have complained for years about ingrained "discriminatory pricing" in the pharmaceutical industry.

But now VA officials are squawking at having to pay full price for drugs. VA's price on some Rx products has jumped more than 1,000 percent since the best price law took effect, and House Veterans Affairs Committee chairman Sonny Montgomery (D-Miss.) is pushing legislation to exempt prices to VA and other government agencies from the calculation of the "best" Medicaid price.

Pharmaceutical manufacturers don't mind that so much, but they are opposed to provisions in the bill requiring them to roll back VA prices to September 1990 levels.

Kennedy is seeking expanded rebates

Meanwhile Sen. Edward Kennedy (D-Mass.) wants to expand the "best price" Rx rules. Pharmaceutical manufacturers would be required to extend Medicaid-style price rebates to federally funded public health clinics, under his new "Public Health Clinic Prudent Pharmaceutical Purchasing Act" (S.1729). The legislation would permit government-subsidized drug treatment facilities, abortion clinics, AIDS treatment centers and other health care outlets to purchase pharmaceuticals only from manufacturers who have signed rebate agreements. Prices would be capped at levels charged by participating drug manufacturers on September 1, 1990.

McKesson testing disposal program

On Oct. 1, McKesson began testing a new controlled substance return and waste disposal program with BFI Pharmaceutical Services. BFI assists manufacturers and wholesalers in crediting procedures for the processed products with a waste tracking and profiling computer system.

Douglas Thompson, senior vp of distribution services at McKesson, said that "this new and innovative program . . . ensure[s] the proper disposition of controlled substances in an environmentally safe manner in accordance with all state and federal laws" and added that "the potential for illegal diversion is dramatically reduced."

If the initial pilot is successful, use will be expanded beyond controlled substances to all classes of pharmaceuticals and drug store products.

New drugs tested for bowel diseases

Ulcerative colitis and Crohn's disease sufferers have persistent diarrhea, fever and weight loss due to the immune system inappropriately attacking the bowel wall. Treatment to date has been with some combination of sulfasalazine and steroids. Because some patients experience intolerable side effects, new therapies are sought.

The University of Chicago is conducting trials of promising *new* agents, which include:

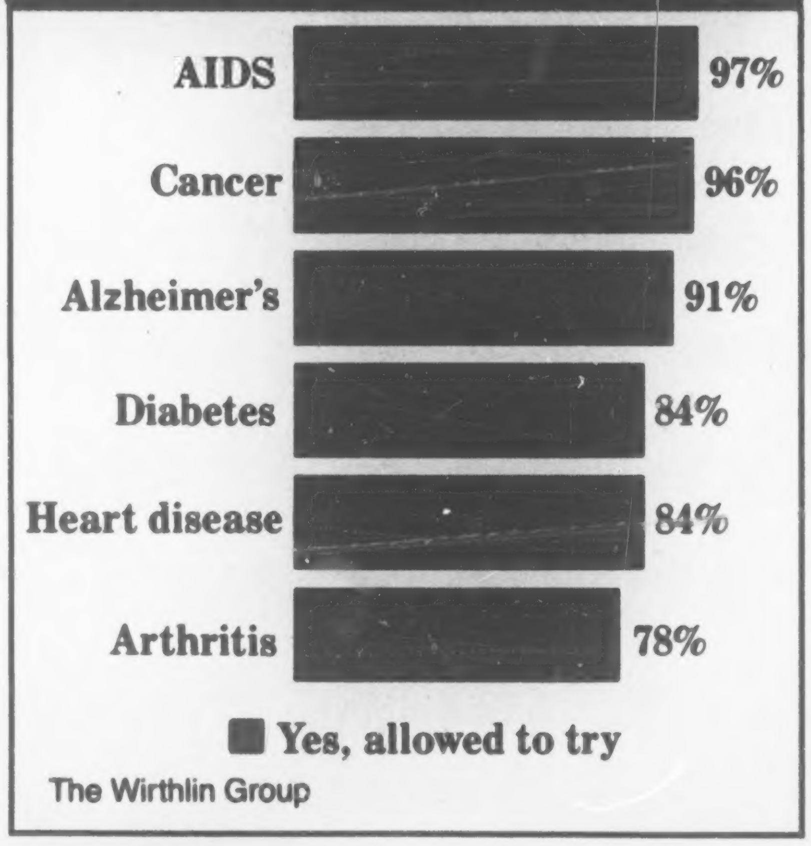
- Zileutin, a lipoxygenase inhibitor that blocks early inflammation.
- Budesonide, a steroid that is active locally in the intestine.
- Methotrexate, a cancer chemotherapeutic agent.
- Cyclosporine, an immune suppressant.
- Short-chain fatty acids, nutrients thought to be deficient in these patients.

For more information, or to volunteer for the trials, contact Pat Schultz at (312) 702-1697.

Unapproved medicines get the American OK

The Wirthlin Group, a national public opinion research firm, in its September survey, found that 79 percent of Americans believe that " . . . patients with fatal and incurable diseases, in consultation with their doctors, should have the power to decide whether to take an experimental drug while it is under FDA review." Unapproved therapies for serious diseases like AIDS, cancer, Alzheimer's disease, and even diabetes, heart disease and arthritis should be accessible on patient and doctor choice.

Should individuals with these diseases be allowed to try drugs not yet approved by the FDA?



The Wirthlin Group

IN BRIEF . . .

- Bristol-Myers Squibb formally withdraws **Enkaid** from the market Dec. 16.
- Abbott and ICI will co-market Abbott's new quinolone, **Omniflox**, for infections including respiratory and urinary tract
- Medicis has entered into a contract to develop dermatological applications of Deprenyl's 5-aminolevulinic acid (**5-ALA**) for sometimes fatal skin cancers.
- Royce Labs has received tentative approval for 10mg and 20mg **piroxicam**. Look for final approval when Feldene patent expires on April 6, 1992.
- Abbott begins Phase II studies of **sertindole**, the first of a new generation of antipsychotics used in schizophrenia.
- Searle has a formulation of **Calan SR**, using ALZA's OROS technology to time dosage release for early morning.
- Merck introduces **Plendil** (felodipine), a calcium channel blocker with once-a-day dosing, vascular selectivity, and significant savings over other antihypertensives.

New!
PATENTED TIME RELEASE PATCHES
PediaPatch
WART REMOVER
SYSTEM

Wart remover patch especially for kids

PediaPatch Wart Remover System for Children, from Tsumura Medical, is a nonprescription strength removal product.

It utilizes a patented gum-based, transdermal-like patch containing a 15 percent salicylic acid solution that eliminates common warts and plantar warts with regular nightly applications. The medicine continuously and painlessly breaks down the wart. The patch can be trimmed to fit the size of the wart so there is less chance of surrounding skin irritation. The patch is affixed for the night with a colorful, protective adhesive bandage, so a high level of compliance is generated.

It's available in a 6 mm. patch and is packaged with 20 medicated patches and 24 protective bandage tapes.

Tsumura Medical, Div. of Tsumura International, Inc., 1000 Valley Park Dr., Shakopee, Minn. 55379 (612) 496-4667.

Circle #58 on Reader Service Card

WARMING, YET ODOR FREE
For Hours of Arthritis Pain Relief
ODOR FREE
ArthriCare
Pain Relieving Rub

Arthritis pain relief comes in new size

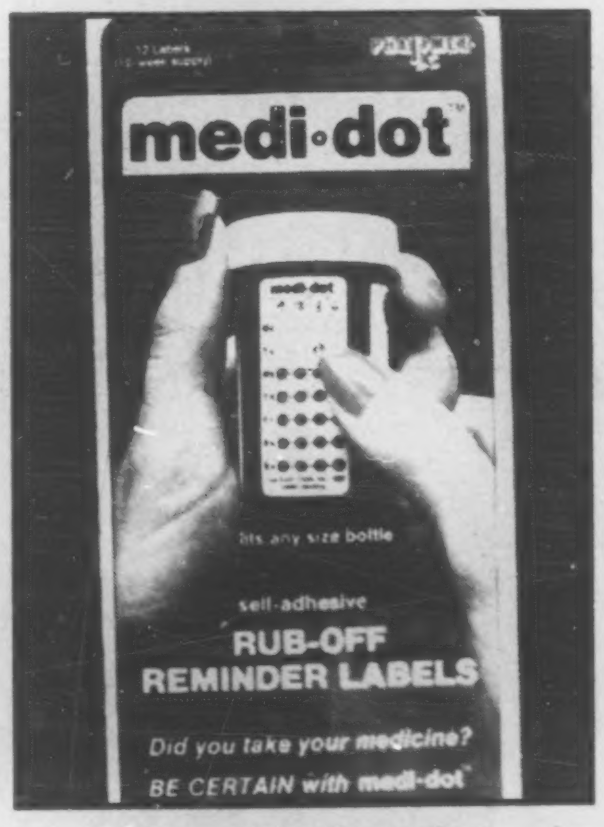
Commerce Drug Company, a division of Del Laboratories, has introduced ArthriCare Odor Free in a new 1.5-ounce size.

ArthriCare Odor Free, an ointment which relieves arthritis pain, will be supported with network and spot radio, direct mail couponing and cents-off coupons.

The new size will be priced to the trade at $1.96 each or $23.52 per dozen, equivalent to the ArthriCare Triple Medicated 1.1-ounce size. Commerce is also offering an introductory allowance.

Commerce Drug, Del Laboratories, 565 Broad Hollow Road, Farmingdale, Long Island, N.Y. 11735. (516) 293-1515.

Circle #59 on Reader Service Card



New label assists patient compliance

Medi-dot, a patented compliance product, is a convenient way to track medication usage. This easy-to-use label attaches directly to a medicine bottle and features rows and columns of rub-off dots which correspond to the date and time medication is to be administered.

As a dose is taken, the appropriate dot is easily scratched off with a fingernail or coin; one dot equals one dose. Medi-dot can be customized for fewer doses by removing excess columns along the perforations provided.

Medi-dot, 14885 Hatfield Rd., Rittman, Ohio 44270. (800) 927-1101.

Circle #60 on Reader Service Card

Allergies/genetics linked according to brochure

According to recent studies compiled by the American Academy of Allergy and Immunology (AAAI), there is a strong genetic component to allergies. A new brochure, *Are Allergies in Your Family Tree? Some Background on Genes and Allergies*, provides insights about if, and when, you may have inherited allergic tendencies. It also provides information and tips about allergy treatment and care.

Says Dr. William J. Davis, director-Allergy-Immunology Program at Columbia-Presbyterian Medical Center in New York, "Research indicates that in families where both parents are allergic, there is a 70 percent probability that their children will be allergic, too."

The Allergy Information Center and Hotline, Fisons Corp., P.O. Box 1766, Rochester, N.Y. 14603. (800) 727-5400.

Circle #61 on Reader Service Card

Aluminum crutch is a safe alternative

Carex's Push Button Aluminum Crutch is made to provide a fast, simple height adjustment. The patient height scale printed on the crutch eliminates trial and error and gives hospitals a safe alternative to foreign-made crutches.

It is constructed of anodized aluminum with high density plastic armrests and handgrips, making it strong but lightweight. The self-locking hardware doesn't require tools to adjust the grip. It's sold in tall adult, adult and youth sizes.

Carex Health Care, 39 Tompkins Pt. Rd., Newark, N.J. 07101. (800) 526-8051 or in N.J. (201) 824-7637.

Circle #62 on Reader Service Card

New economy size for antidiarrheal

Imodium A-D caplets, an OTC antidiarrheal, is now available in an 18-caplet economy size package. It's the only antidiarrheal in a caplet and contains the active ingredient loperamide. It also comes in packages of six and 12 caplets and in liquid form.

McNeil Consumer Products Co., Camp Hill Rd., Fort Washington, Pa. 19034. (215) 233-7730.

Circle #63 on Reader Service Card

Device fits over cap; encourages compliance

Counter Cap encourages patient compliance by automatically counting each time the bottle is opened. It fits over the cap of any medicine container. As the container is opened and closed, the counter advances and a window indicator displays the number of times the medication has been taken for each day. The cap can be designed to work with any dosage regimen.

Senetics, Inc., 75 Manhattan Dr., Ste. 105, Boulder, Colo. 80303. (303) 494-4218.

Circle #64 on Reader Service Card

Soothe & Clean
Personal Cleansing Foam

Personal cleanser for external irritation

Sooth & Clean Personal Cleansing Foam is specially formulated to help provide relief for sufferers of external hemorrhoids, surgical stitches and other minor external rectal/vaginal irritation. It's an alcohol-free, lanolin enriched foam that softens and moistens bathroom tissue to comfort and cleanse sensitive areas; it removes residue and bacteria.

Blair Laboratories, Inc., Div. of The Purdue Frederick Co., 100 Connecticut Av., Norwalk, Conn. 06856. (203) 853-0123.

Circle #65 on Reader Service Card

YOCON®
YOHIMBINE HCl

Description: Yohimbine is a 3a-15a-20B-17a-hydroxy Yohimbine-16a-carboxylic acid methyl ester. The alkaloid is found in Rubaceae and related trees. Also in Rauwolfia Serpentina (L) Benth. Yohimbine is an indolalkylamine alkaloid with chemical similarity to reserpine. It is a crystalline powder, odorless. Each compressed tablet contains (1/12 gr.) 5.4 mg of Yohimbine Hydrochloride.

Action: Yohimbine blocks presynaptic alpha-2 adrenergic receptors. Its action on peripheral blood vessels resembles that of reserpine, though it is weaker and of short duration. Yohimbine's peripheral autonomic nervous system effect is to increase parasympathetic (cholinergic) and decrease sympathetic (adrenergic) activity. It is to be noted that in male sexual performance, erection is linked to cholinergic activity and to alpha-2 adrenergic blockade which may theoretically result in increased penile inflow, decreased penile outflow or both.

Yohimbine exerts a stimulating action on the mood and may increase anxiety. Such actions have not been adequately studied or related to dosage although they appear to require high doses of the drug. Yohimbine has a mild anti-diuretic action, probably via stimulation of hypothalmic centers and release of posterior pituitary hormone.

Reportedly, Yohimbine exerts no significant influence on cardiac stimulation and other effects mediated by B-adrenergic receptors, its effect on blood pressure, if any, would be to lower it; however no adequate studies are at hand to quantitate this effect in terms of Yohimbine dosage.

Indications: Yocon® is indicated as a sympathicolytic and mydriatric. It may have activity as an aphrodisiac.

Contraindications: Renal diseases, and patient's sensitive to the drug. In view of the limited and inadequate information at hand, no precise tabulation can be offered of additional contraindications.

Warning: Generally, this drug is not proposed for use in females and certainly must not be used during pregnancy. Neither is this drug proposed for use in pediatric, geriatric or cardio-renal patients with gastric or duodenal ulcer history. Nor should it be used in conjunction with mood-modifying drugs such as antidepressants, or in psychiatric patients in general.

Adverse Reactions: Yohimbine readily penetrates the (CNS) and produces a complex pattern of responses in lower doses than required to produce peripheral a-adrenergic blockade. These include, anti-diuresis, a general picture of central excitation including elevation of blood pressure and heart rate, increased motor activity, irritability and tremor. Sweating, nausea and vomiting are common after parenteral administration of the drug.[1,2] Also dizziness, headache, skin flushing reported when used orally.[1,3]

Dosage and Administration: Experimental dosage reported in treatment of erectile impotence.[1,3,4] 1 tablet (5.4 mg) 3 times a day, to adult males taken orally. Occasional side effects reported with this dosage are nausea, dizziness or nervousness. In the event of side effects dosage to be reduced to ½ tablet 3 times a day, followed by gradual increases to 1 tablet 3 times a day. Reported therapy not more than 10 weeks.[3]

How Supplied: Oral tablets of Yocon® 1/12 gr. 5.4 mg in bottles of 100's NDC 53159-001-01 and 1000's NDC 53159-001-10.

References:
1. A. Morales et al., New England Journal of Medicine: 1221. November 12, 1981.
2. Goodman, Gilman — The Pharmacological basis of Therapeutics 6th ed., p. 176-188. McMillan December Rev. 1/85.
3. Weekly Urological Clinical letter, 27:2, July 4, 1983.
4. A. Morales et al., The Journal of Urology 128: 45-47, 1982.

Rev. 1/85

AVAILABLE AT WHOLESALERS NATIONWIDE

PALISADES PHARMACEUTICALS, INC.
219 County Road
Tenafly, New Jersey 07670
(201) 569-8502

1-800-237-9083

Circle #006 on Reader Service Card

new products

12-hour relief from cancer pain

ORAMORPH SR, morphine sulfate sustained relief tablets from Roxane Labs, provides 12-hour relief from cancer pain.

Imprinted on each tablet is the strength and product ID number. ORAMORPH SR, co-promoted by Adria Laboratories, is sold in three strengths. *Roxane Laboratories, Sub. of Boehringer Ingelheim, P.O. Box 16532, Columbus, Ohio 43216-6532. (614) 276-4000.*

Circle #66 on Reader Service Card

Nighttime pain reliever lets sufferers sleep

McNeil Consumer Products Co. has introduced Extra Strength Tylenol PM. It temporarily relieves occasional headaches, body and muscle aches and minor arthritis. Each tablet contains pain reliever and diphenhydramine hydrochloride to help the sufferer sleep. *McNeil Consumer Products, Camp Hill Rd., Fort Washington, Pa. 19034. (215) 233-7730.*

Circle #67 on Reader Service Card

The **professionals'** Open Call **treatment of choice.**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Circle #008 on Reader Service Card

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FOR THE TREATMENT OF PINWORMS

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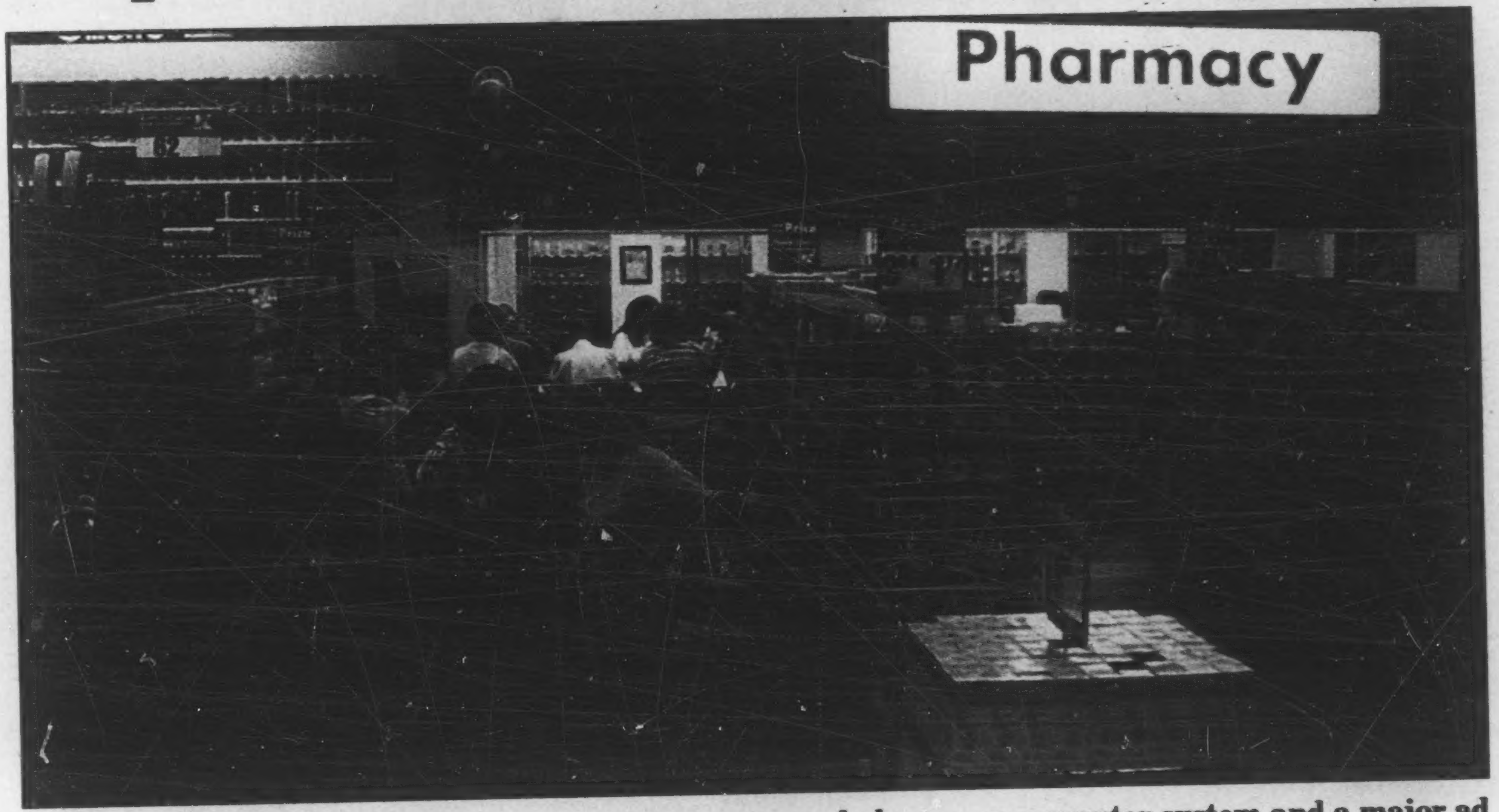
Cleveland, OH 44106
1-800-321-7178 (Toll Free)

Circle #007 on Reader Service Card

Kmart turns up the heat to boost Rx sales

By James Frederick



Kmart will have a new pharmacy prototype, a revamped pharmacy computer system and a major ad campaign devoted exclusively to its pharmacy department.

TROY, Mich. — Less than a year after his arrival, Kmart Corp.'s new head of pharmacy operations is spearheading a major overhaul and upgrading of the discount store giant's pharmacy business. The changes are transforming many aspects of Kmart's pharmacy program and making it a far more aggressive component of the chain's overall business.

"We have the technology and the [headquarters] support to really build this side of the business," said Kevin Browett, who took over as director of pharmacy operations for Kmart this year. "The [corporate] attitudes [toward pharmacy] have changed phenomenally here in the last six months."

Browett, a young but experienced pharmacy executive, last served as head of pharmacy operations at Peoples Drug Stores before its merger with CVS. His mandate at Kmart: to build prescription sales through better technology, new ideas, higher service levels and more aggressive marketing.

All those forces are now in motion. Browett and his team of support people have redesigned the pharmacy prototype for new Kmart stores, installed new service and support programs, revamped the chain's prescription computer system and laid plans for the chain's first major ad campaign devoted exclusively to pharmacy.

The resources Kmart is now injecting into its pharmacy department are also fueling a major prescription expansion drive. Said Browett, "I have more than 100 new pharmacies to open by the end of the year, and that will push us to about 1,400. By the end of 1994, we are planning for about 1,800 pharmacies."

Some growth from buyouts

Many of the new in-store departments are going in older Kmart stores that are undergoing expansion and/or complete renovation. Some of the growth is coming out of acquisition as Kmart buys up competitors' prescription files and inventory.

In a recent interview with *Drug Store News For the Pharmacist*, Browett detailed some of the changes at Kmart:

- The new pharmacy department layout is larger and easier to move around in. It's also highly automated with a new computer system being installed chainwide. The freestanding checkout counter that fronts Kmart pharmacies in older stores, separating pharmacists from patients, is gone. Instead, all purchases are rung up inside the station. Patients can now interact directly with practitioners at an open counter.
- The new computer system is vastly improved, and it replaces plans for a system which Kmart was developing in-house at the time Browett joined the company. "We were able to stop the [development] of that system" in favor of a far more powerful and comprehensive system, he said.

The new system is based on recently developed PDX software and new, more powerful IBM 95 computers. It will be an on-line system, eventually linking all Kmart pharmacies and patient records. What's more, it will allow for a host of capabilities, including immediate third-party verifications; instant updates in prices and formularies; zone pricing; detailed profiles of patients, physicians and drug interactions; and on-line reordering with Kmart's pharmaceutical wholesaler, Tennessee Wholesale.

The effort is also a rapid one: Kmart aims to have the new systems installed chainwide by the end of the year.

- A major pharmacy ad campaign, accenting Kmart's low pharmacy prices, improved service levels and convenient locations, is in the works.
- Customer service is also getting more attention. Said Browett, "It's a service department; my goal is to give a whole different level of service by reducing our customers' total health care bill. What Mr. [Joseph] Antonini [Kmart's chairman and ceo] sees in pharmacy is that it offers the stores built-in quality and another service for customers."

Browett added that a commitment to customer satisfaction and patient counseling—combined with Kmart's growing emphasis on everyday low pricing and a more flexible, reactive pricing policy—would boost script sales.

Indeed, the chain's prescription business is already reflecting the effects of recent efforts. "Our prescription business is up more than 20 percent this year, and our gross margins have improved," Browett said.■

> *'Attitudes [toward pharmacy] have changed phenomenally in the last 6 months.'* ***—Browett***

1990: A banner year for drug wholesalers

By Elizabeth Parks

In 1990, drug wholesalers had one of their best years ever.

Joe Polastri, chairman of the board for the National Wholesale Druggists' Association (NWDA) and president of McKesson Distribution Group, the industry's largest drug wholesaler, sums up 1990 as a year of strong accomplishments.

He describes the industry performance as a "significant achievement against the backdrop of a softening economy."

Indeed, according to the 1990 NWDA Operating Survey, sales for the industry were up 18.1 percent to $30.18 billion. Gross margins reversed their historical decline and rose to 7.35 percent, compared to 7.30 percent on a composite-average basis in 1989.

NWDA also reports that operating expenses, as a percent of sales, declined again in 1990, dropping 2.7 percent to 4.72 percent compared to 4.85 percent in 1989.

But, despite the industry's sterling performance in 1990, Polastri and other wholesalers warn that there are some indicators and trends that are not totally encouraging.

Polastri cautions that wholesalers "may be approaching maximum efficiency" as the historical declines in operating expenses appears to be slowing.

Polastri and a number of other wholesalers are also concerned that intensifying competition for market share, combined with a reduction in manufacturer price increases, will hurt margin stability in 1991, and possibly again in 1992.

Many wholesaler executives also feel that mid-sized and smaller companies will continue to find it hard to compete in today's marketplace, and may be forced to either merge with a larger, more technologically advanced company to survive.

Many wholesalers believe the industry may shrink to 50 companies in the next few years from the present 83.

At Bergen Brunswig, President Phil Engle reports that while the 1990 calendar year was up for Bergen, the last half of the fiscal year, which ended in August, was more difficult.

"I'm not predicting that profit margins for the industry are going to go up again in 1991," Engle says, "because the competitive environment in the last three and four months is as strong as I've ever seen it.

The big players are all after share of market, and to get that you've got to take business from the smaller guys."

"Margins are based on our ability to do forward buying," says Polastri.

"Right now, because of the pressure from Washington for cost containment, we're not seeing many price increases. If that continues, you will see wholesaler margins

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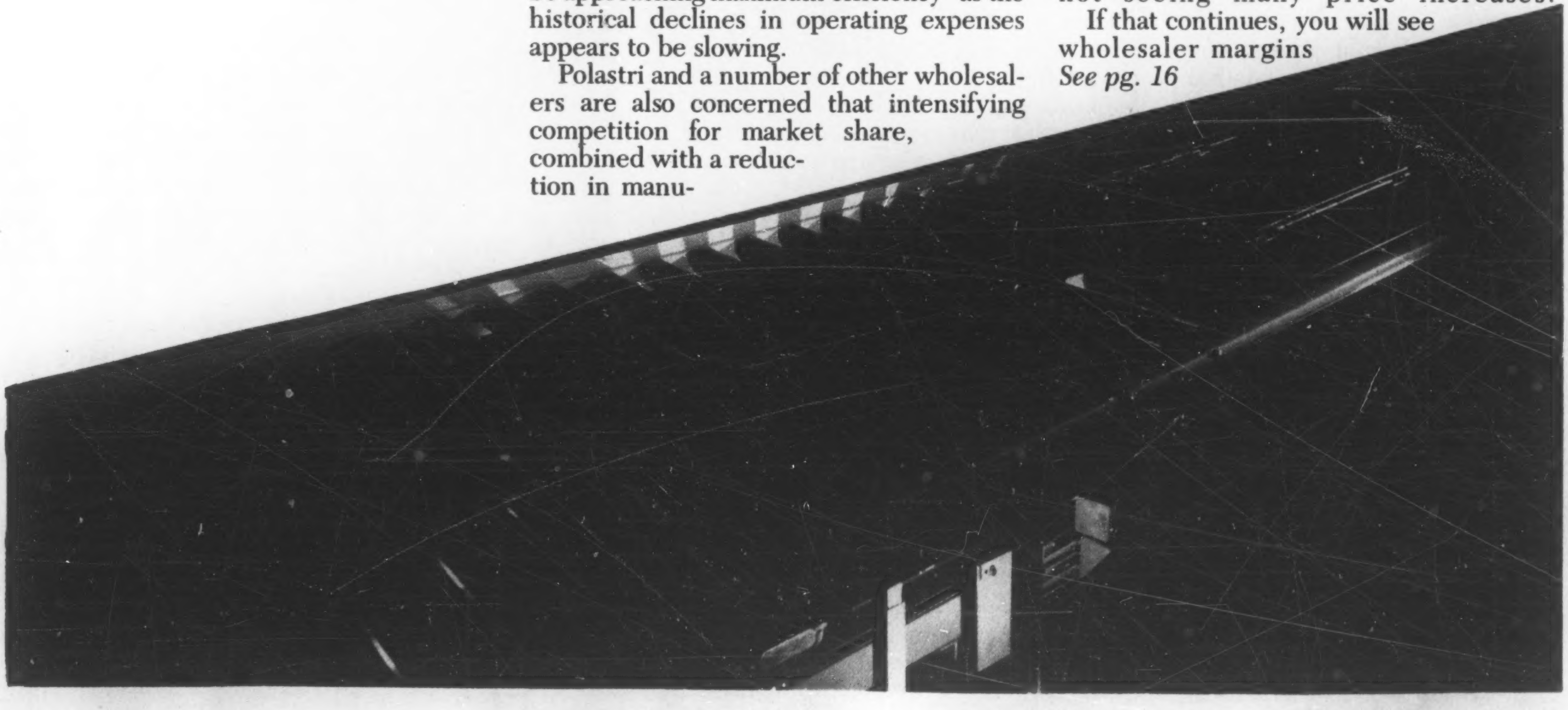

ERYTHROMYCIN ETHYLSUCCINATE AND SULFISOXAZOLE ACETYL FOR ORAL SUSPENSION

INDICATION

For treatment of ACUTE OTTITIS MEDIA in children that is caused by susceptible strains of *Hemophilus influenzae.*

CONTRAINDICATIONS:

Known hypersensitivity to either erythromycin or sulfonamides. Infants less than 2 months of age.

Pregnancy at term and during the nursing period, because sulfonamides pass into the placental circulation and are excreted in human breast milk and may cause kernicterus in the infant.

WARNINGS

FATALITIES ASSOCIATED WITH THE ADMINISTRATION OF SULFONAMIDES, ALTHOUGH RARE, HAVE OCCURRED DUE TO SEVERE REACTIONS INCLUDING STEVENS-JOHNSON SYNDROME, TOXIC EPIDERMAL NECROLYSIS, FULMINANT HEPATIC NECROSIS, AGRANULOCYTOSIS, APLASTIC ANEMIA, AND OTHER BLOOD DYSCRASIAS.

Clinical signs such as sore throat, fever, pallor, rash, purpura, or jaundice may be early indications of serious reactions.

ERYTHROMYCIN ETHYLSUCCINATE AND SULFISOXAZOLE ACETYL FOR ORAL SUSPENSION SHOULD BE DISCONTINUED AT THE FIRST APPEARANCE OF SKIN RASH OR ANY SIGN OF ADVERSE REACTION. In some instances a skin rash may be followed by a more severe reaction, such as Stevens-Johnson syndrome, toxic epidermal necrolysis, hepatic necrosis and serious blood disorders.

COMPLETE BLOOD COUNT SHOULD BE DONE FREQUENTLY IN PATIENTS RECEIVING SULFONAMIDES.

Usage in Pregnancy (SEE ALSO: CONTRAINDICATIONS): The safe use of erythromycin or sulfonamides in pregnancy has not been established. The teratogenic potential of most sulfonamides has not been thoroughly investigated in either animals or humans. However, a significant increase in the incidence of cleft palate and other body abnormalities of offspring has been observed when certain sulfonamides of the short, intermediate and long-acting types were given to pregnant rats and mice at high oral doses (7 to 25 times the human therapeutic dose).

The frequency of renal complications is considerably lower in patients receiving the most soluble sulfonamides such as sulfisoxazole. Urinalysis with careful microscopic examination should be obtained frequently in patients receiving sulfonamides.

PRECAUTIONS

Erythromycin is principally excreted by the liver. Caution should be exercised in administering the antibiotic to patients with impaired hepatic function. There have been reports of hepatic dysfunction, with or without jaundice occurring in patients receiving oral erythromycin products.

Recent data from studies of erythromycin reveal that its use in patients who are receiving high doses of theophylline may be associated with an increase of serum theophylline levels and potential theophylline toxicity. In case of theophylline toxicity and/or elevated serum theophylline levels, the dose of theophylline should be reduced while the patient is receiving concomitant erythromycin therapy.

Surgical procedures should be performed when indicated.

Sulfonamide therapy should be given with caution to patients with impaired renal or hepatic function and in those patients with a history of severe allergy or bronchial asthma. In the presence of a deficiency in the enzyme glucose-6-phosphate dehydrogenase, hemolysis may occur. This reaction is frequently dose-related. Adequate fluid intake must be maintained in order to prevent crystalluria and renal stone formation.

ADVERSE REACTIONS

The most frequent side effects of oral erythromycin preparations are gastrointestinal, such as abdominal cramping and discomfort, and are dose-related. Nausea, vomiting, and diarrhea occur infrequently with usual oral doses. During prolonged or repeated therapy, there is a possibility of overgrowth of nonsusceptible bacteria or fungi. If such infections occur, the drug should be discontinued and appropriate therapy instituted. The overall incidence of these latter side effects reported for the combined administration of erythromycin and a sulfonamide is comparable to those observed in patients given erythromycin alone. Mild allergic reactions such as urticaria and other skin rashes have occurred. Serious allergic reactions, including anaphylaxis, have been reported with erythromycin. There have been isolated reports of reversible hearing loss occurring chiefly in patients with renal insufficiency and in patients receiving high doses of erythromycin. The following untoward effects have been associated with the use of sulfonamides:

Blood Dyscrasias: Agranulocytosis, aplastic anemia, thrombocytopenia, leukopenia, hemolytic anemia, purpura, hypoprothrombinemia and methemoglobinemia.

Allergic Reactions: Erythema multiforme (Stevens-Johnson syndrome), generated skin eruptions, epidermal necrolysis, urticaria, serum sickness, pruritus, exfoliative dermatitis, anaphylactoid reactions, periorbital edema, conjunctival and scleral injection, photosensitization, arthralgia and allergic myocarditis.

Gastrointestinal Reactions: Nausea, emesis, abdominal pains, hepatitis, diarrhea, anorexia, pancreatitis and stomatitis.

CNS Reactions: Headache, peripheral neuritis, mental depression, convulsions, ataxia, hallucinations, tinnitus, vertigo and insomnia.

Miscellaneous Reactions: Drug fever, chills and toxic nephrosis with oliguria and anuria. Periateritis nodosa and LE phenomenon have occurred.

The sulfonamides bear certain chemical similarities to some goitrogens, diuretics (acetazolamide and the thiazides) and oral hypoglycemic agents. Goiter production, diuresis and hypoglycemia have occurred rarely in patients receiving sulfonamides. Cross-sensitivity may exist with these agents.

Rats appear to be especially susceptible to the goitrogenic effects of sulfonamides, and long-term administration has produced thyroid malignancies in the species.

BARR LABORATORIES, INC.
2 Quaker Road
Pomona, NY 10970

1990: A banner year for wholesaler

Continued from page 14

go down. A good part of our profits comes from forward buying, and if prices don't go up in the later part of this year, that will be the key that affects what happens to our margins."

"It's been a very tough competitive year," says Bob McHugh, vp of marketing for Alco Health Services "and it's going to continue to be rough."

McHugh predicts that the margin pressure "will continue to be a major challenge as competition intensifies for all the major trade classes, including hospitals, retail chains, buying groups and drug wholesalers."

"People still worry about margins and operating expenses," says Mel Whitmire, president and ceo of Whitmire Distribution Corp., known until last August as Amfac Health Care.

"Although margins have stabilized in recent years—and going up in 1990 was a good sign—there are still legitimate concerns about the stability of margins," he continues. "In the past, we've been able to reduce expenses as a percent of revenues, but we have made such dramatic increases in expense reduction that it's getting harder and harder to do."

Indicators	1990	1989	1988	1987	1986
Return on net worth	14.95%	14.30%	11.30%	12.80%	9.70%
Return on total assets	5.77	5.84	4.67	5.55	4.46
Total asset turnover	4.15	4.10	4.15	4.11	3.88
Gross profit margins	7.35	7.30	7.34	7.60	8.19
Net profit margins	1.35	1.36	1.13	1.33	1.13

Source: NWDA I990 Operating Survey.

Indicators	1990	1989	1988	1987	1986
Gross profit*	7.35%	7.30%	7.34%	7.60%	8.19%
Operating expenses	4.72	4.85	4.99	5.28	5.98
Operating profit margin*	2.63	2.45	2.34	2.31	2.21

*Fifo results.

Source: NWDA I990 Operating Survey.

Bio-tech drugs boost wholesalers

The emergence this year of high-ticket bio-technology drugs has given the profit picture for drug wholesalers a tremendous boost.

Because bio-tech drugs carry tickets ranging from $1,000 to $2,000 a vial, they can be extremely profitable to pick. Unlike home health care equipment, they are not bulky or slow turning, so although they may require refrigeration and certain other special treatments, they are not costly to stock.

Their only down side is that they may be one of the main reasons why the marketplace has gotten so hotly competitive this year in drug wholesaling. Some sources report that some companies are out competing for hospitals, the trade class that predominantly buys bio-tech drugs, at cost plus zero. "They're giving away margins and living off the float," one source put it.

Other sources say the same kind of competition is also going on for brokerage business with warehousing chains, another trade class that wholesalers have identified as critical to their future.

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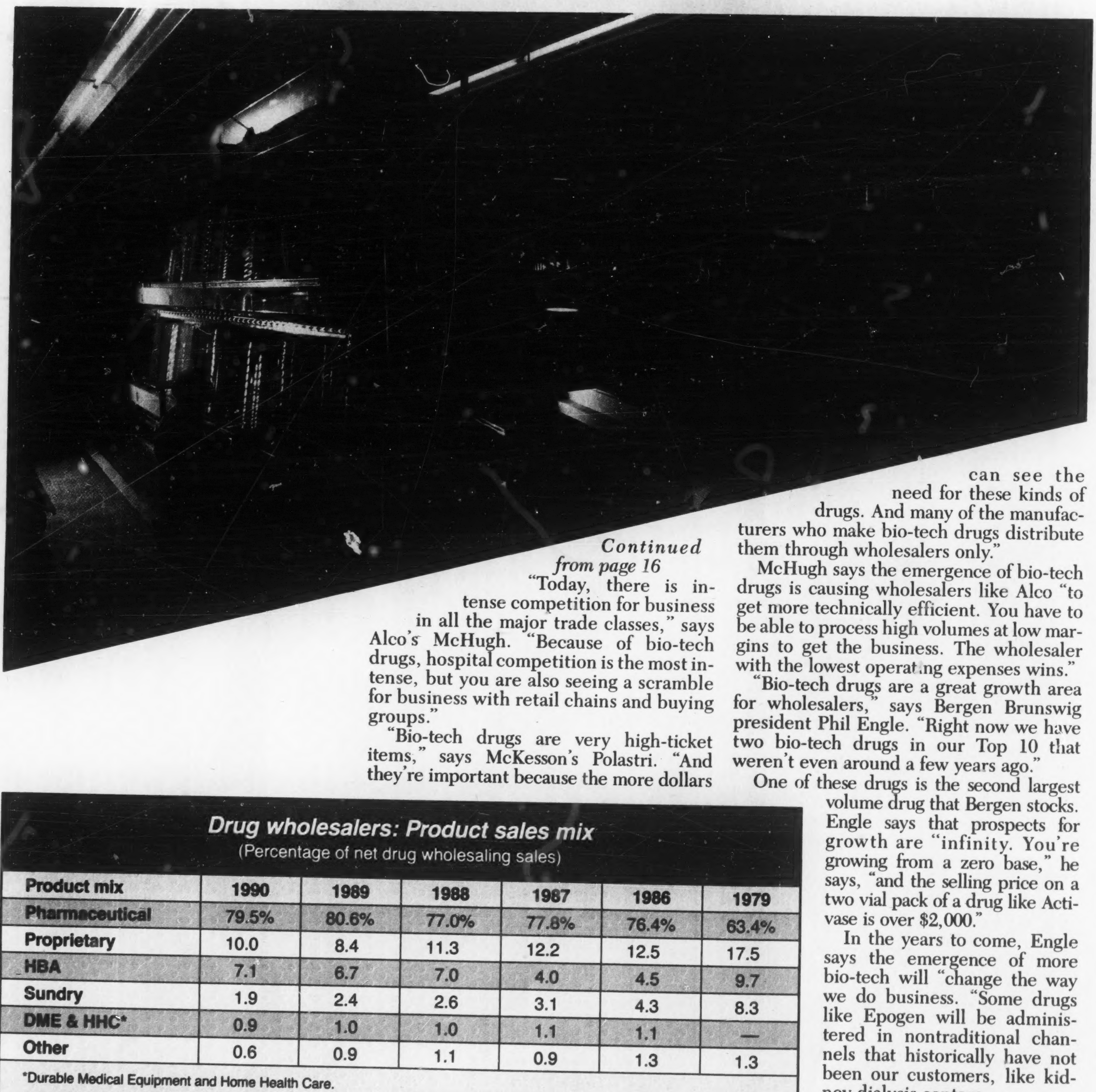

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"Today, there is intense competition for business in all the major trade classes," says Alco's McHugh. "Because of bio-tech drugs, hospital competition is the most intense, but you are also seeing a scramble for business with retail chains and buying groups."

"Bio-tech drugs are very high-ticket items," says McKesson's Polastri. "And they're important because the more dollars you can pump in, the more your costs and expenses stay the same or go lower. We're still waiting for Centoxin to break. When it hits, it's going to put new zip into sales and profits."

"Centoxin reportedly is going to cost about $4,000 a dose," says McHugh. "But hospitals will use it to treat septic shock, which can kill in a matter of hours, so you can see the need for these kinds of drugs. And many of the manufacturers who make bio-tech drugs distribute them through wholesalers only."

Drug wholesalers: Product sales mix

(Percentage of net drug wholesaling sales)

Product mix	1990	1989	1988	1987	1986	1979
Pharmaceutical	79.5%	80.6%	77.0%	77.8%	76.4%	63.4%
Proprietary	10.0	8.4	11.3	12.2	12.5	17.5
HBA	7.1	6.7	7.0	4.0	4.5	9.7
Sundry	1.9	2.4	2.6	3.1	4.3	8.3
DME & HHC*	0.9	1.0	1.0	1.1	1.1	—
Other	0.6	0.9	1.1	0.9	1.3	1.3

*Durable Medical Equipment and Home Health Care.

Source: 1990 NWDA Operating Survey.

McHugh says the emergence of bio-tech drugs is causing wholesalers like Alco "to get more technically efficient. You have to be able to process high volumes at low margins to get the business. The wholesaler with the lowest operating expenses wins."

"Bio-tech drugs are a great growth area for wholesalers," says Bergen Brunswig president Phil Engle. "Right now we have two bio-tech drugs in our Top 10 that weren't even around a few years ago."

One of these drugs is the second largest volume drug that Bergen stocks. Engle says that prospects for growth are "infinity. You're growing from a zero base," he says, "and the selling price on a two vial pack of a drug like Activase is over $2,000."

In the years to come, Engle says the emergence of more bio-tech will "change the way we do business. "Some drugs like Epogen will be administered in nontraditional channels that historically have not been our customers, like kidney dialysis centers.

"Wholesalers will have to look at where these drugs are administered and follow them into that channel to court them as new customers."

"IMS estimates that the pharmaceutical market today is about $40 billion, and they expect that to grow to $70 or $80 billion by the year 2,000.

"Bio-tech drugs today are probably a little over $1 billion, but are expected to be a $50 billion business by the year 2,000." ■

Technology helps drug wholesalers weather recession

In the midst of a recession, most drug wholesalers say their biggest accomplishments have been building sales and remaining profitable.

They attribute their success to their ability to upgrade, use technology and consolidate and modernize distribution centers. The result: lower expenses and higher profits.

McKesson

Earlier this year, McKesson Drug opened a fully automated warehouse in St. Louis featuring an automated picking machine made in Austria.

McKesson president Joe Polastri says that, with the opening of that facility, McKesson became the first manufacturer in the country with two conveyor belts picking at the same time.

The company may also be the first wholesaler to pack the retailer's invoice and labels inside the box, so when it reaches the store and the retailer opens it, he will have product, invoice and labels all in one place.

Polastri says McKesson plans to open four more fully automated centers next year in New Jersey, Atlanta, the Washington, D.C. area and Sacramento, Calif.

He says McKesson expects over time to realize a good return on investment from these facilities as well as substantial reductions in operating expenses.

The automated system, which the company calls MAPS (McKesson Automated Picking System) can pick 1200 orders an hour, says Polastri.

Its speed, he says, challenges McKesson's ability to keep the machine working at capacity. "How much can you feed in is what we have to find out," he says. "The machine's efficiency depends on the volume of business we can generate."

The company also has what may be the industry's first "paperless" facility in Spokane, Wash.

In this system, all paper ordering has been supplanted by automated radio frequency, a development Polastri calls "tremendously exciting."

"We don't know how much money we'll save," he says, "but we do know everything will be done much more accurately.

"We will know where the product is from the second we receive it until it is delivered. It will be scanned when we receive it

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The Nation's 20 Top Drug Wholesalers

Company	FY ending	Sales in millions	Projected Next Year Sales
1. McKesson Drug *San Francisco*	3/31/91	$7,098	$7,600
2. Bergen Brunswig *Los Angeles*	8/31/91	4,571	5,432
3. Alco Health Services *Valley Forge, Pa.*	9/30/91	2,797	3,197
4. FoxMeyer *Denver*	3/31/91	2,685	2,922
5. Bindley Western *Indianapolis*	12/31/90	2,000	2,400
Total Sales Top 5: $19.2B (63% of industry sales)			
6. Whitmire Distribution Corp.[1] *Folsom, Calif.*	6/30/91	1,617	1,986
7. Harris Wholesalers *Solon, Ohio*	10/31/90	1,283	1,375
8. Cardinal Health *Dublin, Ohio*	4/30/91	1,184	1,421
9. Durr Fillauer *Montgomery, Ala.*	12/31/90	584	689
10. Humiston-Keeling *Chicago*	4/30/91	464^{E}	600^{E}
Total Sales Top 10: $24.3B (80% of industry sales)			
11. OCP-Ketchum *South Plainfield, N.J.*	9/30/90	335	400^{E}
12. Owens & Minor *Richmond, Va.*	12/31/90	331	350^{E}
13. Moore Medical Corp. *New Britian, Conn.*	12/31/90	305^{E}	350^{E}
14. Neuman Wholesalers *Ridgefield, N.J.*	4/30/91	260	300^{E}
15. Drug Guild Distributors *Secaucus, N.J.*	7/31/91	246	300^{E}
Total Sales Top 15: $25.8B (85% of industry sales)			
16. Walker Drug *Birmingham, Ala.*	12/31/90	240	285^{E}
17. Commons Bros., Inc. *Elmsford, N.Y.*	4/30/91	210^{E}	240^{E}
18. Chapman Drug Co.[2] *Knoxville, Tenn.*	6/24/91	190^{E}	220^{E}
19. Gulf Distribution, Inc.[3] *Miami, Fla.*	6/30/91	190^{E}	200^{E}
20. Twin City Wholesale Drug *Minneapolis*	4/30/91	190^{E}	215^{E}
Total Sales Top 20: $26.8B (89% of industry sales)			

^{E}Estimated

[1] Formerly Amfac Health Care

[2] Chapman was acquired by Cardinal Drug in August 1991.

[3] Indicates a tie in sales or sales estimate with next listed wholesaler.

Source: *Drug Store News*/NWDA Survey.

Technology helps weather recession

Drug wholesalers with voluntary programs

Company	Voluntary name	No. of members
McKesson	Valu-Rite	3,300
Durr Fillauer	Price Guard	1,600
Alco Health Services	Family Pharmacy	1,200
Bergen Brunswig	Good Neighbor	1,050
Drug Guild	Drug Guild Stores	650
FoxMeyer[1]	Health Mart	600
Whitmire Distribution	P.R.I.D.E. Pharmacies	450
North Carolina Mutual	North Carolina Mutual	439
Barnes Wholesalers	Major Value	400
Northwestern Drug	Merit Plus	350
Walker Drug	Health Center	325
Albers	ADVALUE Drug Centers	293
OCP-Ketchum Distributors	Professional Independent Pharmacies	240
Harris Wholesalers	Health Plus	180
Cardinal	Leader Drug	165
Solomons Co.	Health Care Pharmacies	149
& Minor	Cardinal Drug Center	93
F. Dohmen	Betterway	90
Northern Drug	Med Plus Pharmacies	75
Neuman Wholesalers	Super Save	70
Walsh-Lumpkin	Healthcare America	50
Kendall Drug	HealthNet	45
Dik Drug	Centsible	n.a.

[1] FoxMeyer's Health Mart is a franchise program.

Source: *Drug Store News*/NWDA 1990 Survey.

Drug wholesalers customer sales mix

Customer mix	1990	1989	1988	1987	1986	1978
Independents	40.8%	40.9%	44.2%	45.6%	47.7%	60.7%
Chain drug stores	25.7	22.2	21.7	22.8	23.7	20.8
Hospitals	22.9	23.9	22.8	22.2	20.1	11.4
Chain drug warehouses	2.8	7.5	6.1	5.0	5.1	4.7
Mass merchandisers & food stores	4.3	2.8	3.4	2.5	2.3	1.6
Clinics, nursing homes	1.0	1.6	0.9	NA	NA	NA
Others*	2.5	1.6	0.9	1.9	1.2	NA

*In 1988, 0.9 percent of total sales went to what NWDA defines as "other" customers. In 1990, this segment, which includes consulting pharmacists, etc., increased to 2.5 percent of total sales.

Source: NWDA 1990 Operating Survey

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at the dock, scanned when we place it in the warehouse, scanned when we pick it, scanned when we put it on the conveyors, scanned when it goes on the truck, and scanned when it's delivered."

Bergen Brunswig

Bergen Brunswig, along with McKesson, was one of the first wholesalers to commit major dollars to upgrading its facilities and systems with new technologies designed to reduce the overall costs of doing business.

Today, Bergen has two fully automated distribution centers and four semi-automated facilities equipped to become fully automated once it achieves the needed dollar volume in sales—from $250 to $300 million per facility.

The wholesaler is also investing in additional automation in two more centers set to open in mid-1992. Both will be semi-automated, but designed so they can be upgraded to full automation when they achieve the required volume.

In these centers, instead of the two picking machines costing $1.5 million each that are standard in the fully automated, regional D-Cs, Bergen uses mechanized conveyors with bar code readings.

"It takes three to four years to reap the benefits of a fully automated center," says Engle, "and the two we have now in Valencia and Corona are tracking well. Valencia is in its third year and Corona in its second."

Bergen has just picked up the Raley's food chain account in California, so it is planning to upgrade its Sacramento warehouse to full automation sometime in the near future.

The wholesaler may also fully automate its Williamston, Mich., facility in 1992.

It has experimented with both A-frame picking machines and with Itematics, and Engle says the preference is for the A-frames. He says they are easier to refill and very efficient. Corona and Valencia both have A-frames. San Jose has Itematics. Future upgrades will be done with A-frames.

Bergen is also integrating bar coding readings into all facilities. Engle says the plan is to eventually operate completely paperless. "Everything will be digital readouts with radio frequency scanners. The big savings will be in accuracy. We won't have to deal with returns because something was picked wrong."

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Technology helps wholesalers weather recession

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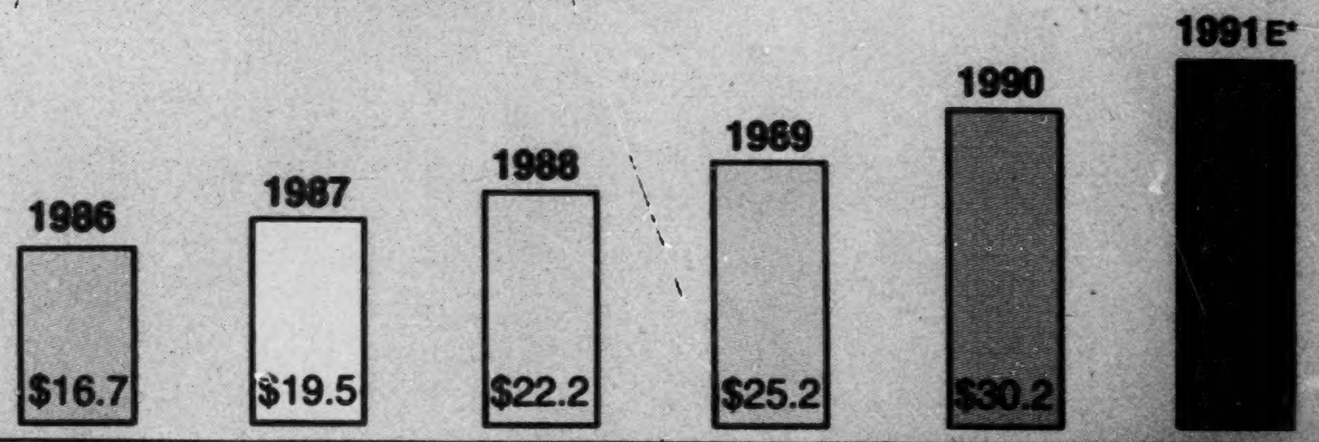
Alco

At Alco Health Services, chairman and president John McNamara says the company is particularly proud of its success at aligning its business strategies to the segments it services, including community pharmacies, hospital pharmacies and chain drug stores.

Taking such an approach, he says, has allowed Alco to be "very specific in each of these areas about the value-added programs we can offer each group." McNamara says that its targeted approach has also helped Alco control costs to the point that operating expenses this year are hovering at about 4 percent of sales.

Drug wholesaler sales growth
(billions)



	1986	1987	1988	1989	1990	1991 E*
Dollar sales	$16.7	$19.5	$22.2	$25.2	$30.2	
% chng vs prior year	18.5%	16.8%	14.0%	13.5%	18.1%	
Producer price increases (PPI)	12.6%	9.40%	8.25%	7.94%	7.20%	
Sales increases minus PPI	5.87%	7.04%	5.77%	5.57%	10.97%	

*Estimated
Source: NWDA 1990 Operating Survey/Drug Store News 1991 dollar sales estimate.

Alco's sales for the third and most recent quarter were up 14 percent vs. the prior year. Bob McHugh, vp of marketing, says that sales have been "accelerating each quarter." As a private company, Alco wasn't prepared to discuss earnings.

McHugh and McNamara report they are seeing particularly strong growth in their generic drug program. Alco developed a Multiple Source program that organizes the purchases of various generic pharmaceuticals into one package. Customers don't have to deal with a variety of suppliers for generics.

McNamara says that program has been developing "at a very fast rate, and is already exceeding projections for fiscal year 1991."

Last year, Alco also expanded its base of retail customers by acquiring Eagle Drug, a voluntary with a 57-store membership headquartered in Minnesota.

Last year, Alco won some significant prime vendor contracts with some major hospital accounts. They also acquired the account for Al Towle's new 147-unit RxPlus chain headquartered in Phoenix.

FoxMeyer

FoxMeyer, eager to get growth funds for upgrading and expansion, went public last August.

National Intergroup, Fox's parent company, sold 30 percent of the company's stock while retaining a 70 percent share.

President Bob King says the stock came out selling at $14.50 and has since ranged from its initial offering to as much as $15.25.

King says the company decided to go public because management felt "the best way to get value for Fox was to get the company out there on its own trading as a pure drug wholesaler.

"We also needed access to public money to raise money to accomplish what we want to do."

At this point, says King, Fox is in the early stages of automating its warehouses. Last June, the company installed its first A-frame in Kansas city.

King says Fox plans to roll out this type of picking device to other divisions, starting with high-volume facilities and then taking it into moderate volume houses.

"We can justify A-frames at $200 million or even less," says King. "Unlike other houses, we haven't chosen to automate the entire warehouse, just the fastest moving items."

King expects to realize significant cost savings through automation, but says he's most excited about what the automated pick machines will do to improve accuracy.

In 1992, King says Fox will probably automate two or three more warehouses, "and probably take it down to seven or eight d.c.'s over the next two to three years."

Fox is also in the early stages of a major computer system upgrade.

Now that FoxMeyer has more cash from going public, King says they will actively be looking to expand into new territories, and there may be some acquisitions as well.

Bindley Western

At Bindley Western, chairman and ceo Bill Bindley feels the most significant accomplishment in the past year has been the transition to "full lines and full service."

Bindley has 12 d.c.'s now. The average center generates $200 million. In 1987, the average d.c. was doing $100 million.

All centers have mezzanines, which allows Bindley to use air space to maximize efficiency. They also have a standard layout, so the way items are picked and rotated in one facility is exactly the same as it would be in any other.

Bindley's new facility in San Demos, Calif., is doing well, and the company doubled the size of its Charlotte, N.C. center. Bindley is also adding more space in its Indianapolis facility. The company also has a new 100,000-square-foot center in Orlando.

Bindley's newest facility, in Stanford, Conn., will open in 1992, and will consolidate three smaller centers.

The wholesaler will also move into a new facility in Atlanta within the next six months, and will push deeper into the northeast market by opening its first Pennsylvania facility in Harrisburg toward the end of this year.

Bindley has used technology to improve its data processing systems. "We've developed new software programs for ourselves and our customers. We have a variety of p.c.-based programs to help retailers manage their businesses. We also have a new nursing home pharmaceutical package that is comparable to our retail packages. Nursing homes has been another growth area for us."

Although Bindley has what may be the lowest operating expenses in the wholesale drug industry, the company is trying to become even more efficient. He says the goal is to trim expenses to 1 percent of sales from the current 1.1 to 1.2 percent.

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NIFEDIPINE CAPSULES, USP

Brief Summary

INDICATIONS AND USAGE:

I. Vasospastic Angina: Nifedipine is indicated for the management of vasospastic angina confirmed by any of the following criteria: 1) classical pattern of angina at rest accompanied by ST segment elevation, 2) angina or coronary artery spasm provoked by ergonovine, or 3) angiographically demonstrated coronary artery spasm. In those patients who have had angiography, the presence of significant fixed obstructive disease is not incompatible with the diagnosis of vasospastic angina, provided that the above criteria are satisfied. Nifedipine may also be used where the clinical presentation suggests a possible vasospastic component but where vasospasm has not been confirmed, e.g., where pain has a variable threshold on exertion or in unstable angina where electrocardiographic findings are compatible with intermittent vasospasm, or when angina is refractory to nitrates and/or adequate doses of beta blockers.

II. Chronic Stable Angina (Classical Effort-Associated Angina): Nifedipine is indicated for the management of chronic stable angina (effort-associated angina) without evidence of vasospasm in patients who remain symptomatic despite adequate doses of beta blockers and/or organic nitrates or who cannot tolerate those agents.

In chronic stable angina (effort-associated angina) nifedipine has been effective in controlled trials of up to eight weeks duration in reducing angina frequency and increasing exercise tolerance, but confirmation of sustained effectiveness and evaluation of long term safety in these patients are incomplete.

Controlled studies in small numbers of patients suggest concomitant use of nifedipine and beta blocking agents may be beneficial in patients with chronic stable angina, but available information is not sufficient to predict with confidence the effects of concurrent treatment, especially in patients with compromised left ventricular function or cardiac conduction abnormalities. When introducing such concomitant therapy, care must be taken to monitor blood pressure closely since severe hypotension can occur from the combined effects of the drugs. (See WARNINGS.)

CONTRAINDICATIONS:

Known hypersensitivity reaction to nifedipine.

WARNINGS:

Excessive Hypotension: Although in most patients, the hypotensive effect of nifedipine is modest and well tolerated, occasional patients have had excessive and poorly tolerated hypotension. These responses have usually occurred during initial titration or at the time of subsequent upward dosage adjustment, and may be more likely in patients on concomitant beta blockers.

Severe hypotension and/or increased fluid volume requirements have been reported in patients receiving nifedipine together with a beta blocking agent who underwent coronary artery bypass surgery using high dose fentanyl anesthesia. The interaction with high dose fentanyl appears to be due to the combination of nifedipine and a beta blocker, but the possibility that it may occur with nifedipine alone, with low doses of fentanyl, in other surgical procedures, or with other narcotic analgesics cannot be ruled out. In nifedipine treated patients where surgery using high dose-fentanyl anesthesia is contemplated, the physician should be aware of these potential problems and, if the patient's condition permits, sufficient time (at least 36 hours) should be allowed for nifedipine to be washed out of the body prior to surgery.

Increased Angina and/or Myocardial Infarction: Rarely, patients, particularly those who have severe obstructive coronary artery disease, have developed well documented increased frequency, duration and/or severity of angina or acute myocardial infarction on starting nifedipine or at the time of dosage increase. The mechanism of this effect is not established.

Beta Blocker Withdrawal: Patients recently withdrawn from beta blockers may develop a withdrawal syndrome with increased angina, probably related to increased sensitivity to catecholamines. Initiation of nifedipine treatment will not prevent this occurrence and might be expected to exacerbate it by provoking reflex catecholamine release. There have been occasional reports of increased angina in a setting of beta blocker withdrawal and nifedipine initiation. It is important to taper beta blockers if possible, rather than stopping them abruptly before beginning nifedipine.

Congestive Heart Failure: Rarely, patients, usually receiving a beta blocker, have developed heart failure after beginning nifedipine. Patients with tight aortic stenosis may be at greater risk for such an event, as the unloading effect of nifedipine would be expected to be of less benefit to these patients, owing to their fixed impedance to flow across the aortic valve.

PRECAUTIONS:

General: Hypotension: Because nifedipine decreases peripheral vascular resistance, careful monitoring of blood pressure during the initial administration and titration of nifedipine is suggested. Close observation is especially recommended for patients already taking medications that are known to lower blood pressure. (See WARNINGS.)

Peripheral Edema: Mild to moderate peripheral edema, typically associated with arterial vasodilation and not due to left ventricular dysfunction, occurs in about one in ten patients treated with nifedipine. This edema occurs primarily in the lower extremities and usually responds to diuretic therapy. With patients whose angina is complicated by congestive heart failure, care should be taken to differentiate this peripheral edema from the effects of increasing left ventricular dysfunction.

Laboratory Tests: Rare, usually transient, but occasionally significant elevations of enzymes such as alkaline phosphatase, CPK, LDH, SGOT and SGPT have been noted. The relationship to nifedipine therapy is uncertain in most cases, but probable in some. These laboratory abnormalities have rarely been associated with clinical symptoms, however, cholestasis with or without jaundice has been reported. Rare instances of allergic hepatitis have been reported.

Nifedipine, like other calcium channel blockers, decreases platelet aggregation *in vitro*. Limited clinical studies have demonstrated a moderate but statistically significant decrease in platelet aggregation and increase in bleeding time in some nifedipine patients. This is thought to be a function of inhibition of calcium transport across the platelet membrane. No clinical significance for these findings has been demonstrated.

Positive direct Coombs test with/without hemolytic anemia has been reported.

Although nifedipine has been used safely in patients with renal dysfunction and has been reported to exert a beneficial effect in certain cases, rare, reversible elevations in BUN and serum creatinine have been reported in patients with preexisting chronic renal insufficiency. The relationship to nifedipine therapy is uncertain in most cases but probable in some.

Drug Interactions: ***Beta-adrenergic blocking agents:*** (See INDICATIONS and WARNINGS.) Experience in over 1400 patients in a non-comparative clinical trial has shown that concomitant administration of nifedipine and beta-blocking agents is usually well tolerated, but there have been occasional literature reports suggesting that the combination may increase the likelihood of congestive heart failure, severe hypotension or exacerbation of angina.

Long acting nitrates: Nifedipine may be safely co-administered with nitrates, but there have been no controlled studies to evaluate the antianginal effectiveness of this combination.

Digitalis: Administration of nifedipine with digoxin increased digoxin levels in nine of twelve normal volunteers. The average increase was 45%. Another investigator found no increase in digoxin levels in thirteen patients with coronary artery disease. In an uncontrolled study of over two hundred patients with congestive heart failure during which digoxin blood levels were not measured, digitalis toxicity was not observed. Since there have been isolated reports of patients with elevated digoxin levels, it is recommended that digoxin levels be monitored when initiating, adjusting, and discontinuing nifedipine to avoid possible over- or under-digitalization.

Coumarin anticoagulants: There have been rare reports of increased prothrombin time in patients taking coumarin anticoagulants to whom nifedipine was administered. However, the relationship to nifedipine therapy is uncertain.

Cimetidine: A study in six healthy volunteers has shown a significant increase in peak nifedipine plasma levels (80%) and area-under-the-curve (74%) after a one week course of cimetidine at 1000 mg per day and nifedipine at 40 mg per day. Ranitidine produced smaller, non-significant increases. The effect may be mediated by the known inhibition of cimetidine on hepatic cytochrome P-450, the enzyme system probably responsible for the first-pass metabolism of nifedipine. If nifedipine therapy is initiated in a patient currently receiving cimetidine, cautious titration is advised.

Carcinogenesis, Mutagenesis, Impairment of Fertility: Nifedipine was administered orally to rats for two years and was not shown to be carcinogenic. When given to rats prior to mating, nifedipine caused reduced fertility at a dose approximately 30 times the maximum recommended human dose. *In vivo* mutagenicity studies were negative.

Pregnancy: Pregnancy Category C. Nifedipine has been shown to be teratogenic in rats when given in doses 30 times the maximum recommended human dose. Nifedipine was embryotoxic (increased fetal resorptions, decreased fetal weight, increased stunted forms, increased fetal deaths, decreased neonatal survival) in rats, mice and rabbits at doses of from 3 to 10 times the maximum recommended human dose. In pregnant monkeys, doses 2/3 and twice the maximum recommended human dose resulted in small placentas and underdeveloped chorionic villi. In rats doses three times maximum human dose and higher caused prolongation of pregnancy. There are no adequate and well controlled studies in pregnant women. Nifedipine should be used during pregnancy only if the potential benefit justifies the potential risk to the fetus.

ADVERSE REACTIONS:

In multiple-dose U.S. and foreign controlled studies in which adverse reactions were reported spontaneously, adverse effects were frequent but generally not serious and rarely required discontinuation of therapy or dosage adjustment. Most were expected consequences of the vasodilator effects of nifedipine.

Adverse Effect	Nifedipine (%) (N=226)	Placebo (%) (N=235)
Dizziness, lightheadedness, giddiness	27	15
Flushing, heat sensation	25	8
Headache	23	20
Weakness	12	10
Nausea, heartburn	11	8
Muscle cramps, tremor	8	3
Peripheral edema	7	1
Nervousness, mood changes	7	4
Palpitation	7	5
Dyspnea, cough, wheezing	6	3
Nasal congestion, sore throat	6	8

There is also a large uncontrolled experience in over 2100 patients in the United States. Most of the patients had vasospastic or resistant angina pectoris, and about half had concomitant treatment with beta-adrenergic blocking agents. The most common adverse events were:

Incidence Approximately 10%

Cardiovascular: peripheral edema

Central Nervous System: dizziness or lightheadedness

Gastrointestinal: nausea

Systemic: headache and flushing, weakness

Incidence Approximately 5%

Cardiovascular: transient hypotension

Incidence 2% or Less

Cardiovascular: palpitation

Respiratory: nasal and chest congestion, shortness of breath

Gastrointestinal: diarrhea, constipation, cramps, flatulence

Musculoskeletal: inflammation, joint stiffness, muscle cramps

Central Nervous System: shakiness, nervousness, jitterness, sleep disturbances, blurred vision, difficulties in balance

Other: dermatitis, pruritus, urticaria, fever, sweating, chills, sexual difficulties.

Incidence Approximately 0.5%

Cardiovascular: syncope. Syncopal episodes did not recur with reduction in the dose of nifedipine of concomitant antianginal medication.

Incidence Less Than 0.5%

Hematologic: thrombocytopenia, anemia, leukopenia, purpura

Gastrointestinal: allergic hepatitis

Oral: gingival hyperplasia

CNS: depression, paranoid syndrome

Special Senses: transient blindness at the peak of plasma level

Other: erythromelalgia, arthritis with ANA (+)

Several of these side effects appear to be dose related. Peripheral edema occurred in about one in 25 patients at doses less than 60 mg per day and in about one patient in eight at 120 mg per day or more. Transient hypotension, generally of mild to moderate severity and seldom requiring discontinuation of therapy, occurred in one of 50 patients at less than 60 mg per day and in one of 20 patients at 120 mg per day or more. Very rarely, introduction of nifedipine therapy was associated with an increase in anginal pain, possibly due to associated hypotension.

In addition, more serious adverse events were observed, not readily distinguishable from the natural history of the disease in these patients. It remains possible, however, that some or many of these events were drug related. Myocardial infarction occurred in about 4% of patients and congestive heart failure or pulmonary edema in about 2%. Ventricular arrhythmias or conduction disturbances each occurred in fewer than 0.5% of patients.

In a subgroup of over 1000 patients receiving nifedipine with concomitant beta blocker therapy, the pattern and incidence of adverse experiences was not different from that of the entire group of nifedipine treated patients. (See PRECAUTIONS).

In a subgroup of approximately 250 patients with a diagnosis of congestive heart failure as well as angina, dizziness or lightheadedness, peripheral edema, headache or flushing each occurred in one in eight patients. Hypotension occurred in about one in 20 patients. Syncope occurred in approximately one patient in 250. Myocardial infarction or symptoms of congestive heart failure each occurred in about one patient in 15. Atrial or ventricular dysrhythmias each occurred in about one patient in 150.

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Technology helps drug wholesalers

Continued from page 25

Pharmacy is still the bread and butter of Bindley's business, accounting for 95 percent of the business. Several years ago, however, pharmacy accounted for 99 percent of their business. The decline is a reflection of Bindley's successful penetration into the front end of the business.

The average Bindley facility stocks some 22,000 to 23,000 SKUs compared to the 7,000 to 8,000 they stocked five years ago.

"We can now call on and sell just about any retail pharmacy in the country," Bindley says.

Whitmire

Whitmire Distribution regards its ability to grow at over 30 percent a year for the past three to four years as a significant accomplishment.

Whitmire, formerly Amfac, does a lot of business with the hospital market, and as a consequence it has smaller facilities than the average high-volume wholesaler.

The company has developed a strategic business plan geared to helping it react quickly to customer needs.

"To a large extent," says Mel Whitmire, "our business is based on the degree of service we can provide.

"When you're dealing with an acute care hospital, you can't provide deliveries two times a week. They may need Saturday deliveries or even daily deliveries. We provide that service."

Whitmire has been able to grow its business "all across the board. Every segment is up—hospitals, chains and independents."

However, its largest increases are with managed care facilities, including HMOs.

Whitmire's work with both acute and managed care has helped its rapid expansion into high-ticket bio-tech pharmaceuticals. Sales of the drugs are up dramatically, and the company is responding by making adjustments to its facilities, including the construction of refrigerated vaults to accommodate the drugs as well as larger vaults for narcotics.

Management now owns 20 percent of Whitmire Distribution's stock, and its newest investor, Chemical Equity, has said it will take 10 percent of the 40 percent share just purchased and distribute it to management as an incentive if, over the next five years, the company continues to prosper.

Whitmire Distribution is also courting the independent and chain drug market more aggressively than ever, and seeing larger sales increases in these segments as a result of their efforts. ■

Drug stores get to root of oral hygiene segment

Drug store dental sales gain slightly

(Dollar sales in thousands)

	Jan-June 1991	Jan-June 1990	% change
Dentifrice	$149,375	$143,811	+3.9%
Mouthwash	110,139	113,582	−3.0
Toothbrushes	63,978	63,386	+1.0
Denture adhesives	33,336	33,262	+0.2
Denture cleansers	29,113	28,123	+3.5
Tooth analgesics	23,030	22,150	+4.0
Dental floss	19,888	19,614	+1.4
TOTAL	$428,859	$423,928	+1.2%

Source: Nielsen Marketing Research.

It's hard for drug stores to compete with deep discounters and supermarkets in the price-sensitive oral hygiene category.

But, there are still segments of the category in which drug stores are not only making a good margin, but are also creating a niche for themselves. One area that provides a marketing opportunity for drug stores is oral analgesic medications. Colgate-Hoyt, manufacturer of Orabase products, estimates that this segment generates $125 million a year.

Items in this segment are often dependent on pharmacists' recommendations and benefit by their placement near the pharmacy area. Drug stores can offer an advantage over their competitors by having professionals present in the stores to answer questions customers may have about which product they should use for their tooth pain, fever or lip sores.

"Pharmacists do get a lot of questions about toothache pain," said Mark Wermes, director of pharmacy at Phoenix-based RxPlus. "The first thing customers want to know is whether they should see a dentist. Then they want to know what they can do about the pain. We have an advantage in this area because of pharmacists' recommendations."

Said Andy Giancamilli, senior vp-store operations at Perry Drug Stores: "Pharmacists are familiar with the remedies for toothaches and toothpain and can often suggest something that can give them relief until they can see their dentist."

Among the products recommended by RxPlus pharmacists: Commerce Drug's Ora-gel, Whitehall's Anbesol and Colgate-Hoyt's Orabase. Zila Pharmaceuticals' new Zilactol, a product which fights cold sores and fever blisters, also gets frequent recommendations from RxPlus pharmacists.

Oral medications do a steady business at Newport Beach, Calif.-based Horton & Converse Pharmacies. Buyer Robin Koon said sales of Orabase with Benzocaine have picked up over the past year, although the chain does not advertise the product. Colgate-Hoyt recently introduced Orabase Lip Healer for fever blisters and Orabase Teething Gel.

At New Orleans-based K&B, oral medications are located on peg displays near the pharmacy area. "The segment is a nice niche category that's not competitively priced, so we make a nice profit," said buyer Cyrus Miller.

Dental accessories added

In the toothpaste area of the category, retailers are finding that one or two products are giving them some pricing flexibility and allowing them to build up some of the eroding margins in that area. Toothpaste sales totaled $126 million in 1990, according to Nielsen Marketing Research.

Aside from the tooth whiteners, which have dazzled the market, retailers cite Arm & Hammer baking soda-based products as a good niche area.

Buyer Pat McCafferty stocks seven SKUs of the product at RxPlus. "It's a product with strong differentiation and the manufacturer does aggressive promotion," he said.

"Arm & Hammer was a nice surprise," said Rick Cabral, buyer at Indianapolis, Ind.-based Reliable Drug Stores, Inc. "It's not as price sensitive as the other toothpastes so we can make a nice margin." Cabral is also doing well with private label toothpaste. In fact, he says it's the top seller at Reliable, followed closely by Crest, then Colgate. "We're not making anything on branded toothpaste," he said. "At least on private label, we can make a few dollars."

Crest's newest product, Neat Squeeze, a cross between a pump and a squeeze, has been selling well at Perry Drug Stores since it was introduced in March, according to buyer Pam Nyberg. Horton & Converse's Koon said the product had outperformed other toothpastes by 25 percent since it was added two months ago.

Accessories show promise

Sales of mouthwash aren't booming the way they were three years ago. In fact, Plax 24-ounce and Viadent 30-ounce were the only SKUs in the segment that did not lose market share in 1990.

Some retailers are finding that by adding dental accessories to their mixes, they can pick up incremental sales. RxPlus' McCafferty has added tools for plaque removal, gum stimulating devices, stimulator refills, and flossers to the mix—all items in the $2 range—and has done very well with them. ■

Toothbrush sales expected to grow

Toothbrush sales may flourish in the next few months when some new products—backed by heavy consumer advertising—enter the market.

Johnson & Johnson Consumer Products will introduce an Advanced Reach product which flexes more during brushing, allowing consumers to guide the brush into hard-to-reach areas. More flexibility seems to be the newest brush product differentiation—Plax now has a new toothbrush designed to extend consumers' reach, and Beecham plans to introduce a new brush under the Aqua Fresh label that will have a springing action near the head of the brush.

Perhaps the most interesting new product is Oral-B Laboratories' Indicator, a product that "tells" consumers when it should be replaced. The brush includes a few rows of blue bristles which lose their coloration with use. Priced similarly to other Oral-B products at about $2.50, the brushes were shipped during the last two months and are in stores now.

Oral-B expects its newest product to increase turns and stimulate profits in an already high margin category. Buyer Paige Ilderton said that at Raleigh, N.C.-based Kerr Drugs, toothbrushes are pulling a 33 to 36 percent margin.

The manufacturer hopes that the built-in indicator, combined with the heavy consumer advertising which broke last month urging consumers to comply with the American Dental Association's recomendation for replacing toothbrushes every three months, will increase sales. Studies show that consumers now replace their toothbrushes once every nine months. ■